Build King

Build King Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code : 00240)

Annual Report 2016

Contents

Financial Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

Percentage of increase in equity** per share	30%
Equity	HK$547 million
Equity per share	HK44 cents
Group revenue	HK$4,871 million
Profit attributable to owners of the Company	HK$151 million
Final dividend per share	HK2.5 cents

** *equity refers to equity attributable to owners of the Company*

FINAL DIVIDEND

The board of directors (the "Board") of the Company recommends the payment of a final dividend of HK2.5 cents per ordinary share for the year ended 31 December 2016 (2015: HK1.5 cents).

Chairman's Letter

The Group's gain in equity during 2016 was HK$125 million whilst the equity per share increased by 30% to HK44 cents.

Our turnover this year was HK$4.9 billion which was an increase of 7% over 2015. The net profit attributed to the shareholders was HK$151 million, an increase of 60% over last year. For the first time in many years, we achieved an average of 3% net profit on turnover, which has always been my target. Unfortunately the difficult job we encountered last year is still unresolved (though the physical works will be completed by April this year), and has slightly affected our overall performance.

With the contracts on hand this year I expect our turnover next year to exceed that of 2016, and I am very confident that likewise our bottom line will also be better. This is good news for our shareholders.

However, the approval of funds for construction projects continues to be affected by filibustering in the Legislative Council and is still causing significant delays in the award of Government contracts. This is very bad for Hong Kong and in particular for our industry. Already due to the scarcity of work, most of the contract prices are tumbling down, and so even though we have been able to secure enough work at present, our margin is likely to suffer in the future. I just hope the legislators doing this will come to their senses quickly and stop their meaningless behavior.

Our order book at the time of writing is HK$12 billion, an increase of 7% over last year. However with our increased turnover, this is again equivalent to only 2 years workload. In view of the more difficult market anticipated in 2017 and almost certainly in 2018, it will be much harder to achieve the target HK$6.0 billion new works in the coming year. But for sure our team we will do its very best to reach this target. I will elaborate more on this later.

Since listing, our cumulative gain in equity is 500% (taking into consideration of dividend payout over the years) or an average of 15% p.a.. I am happy that finally we met my long term target of 15%. I am confident that in 2017 we will also perform well, but I cannot say the same for 2018 where a lot will depend on the contracts that we secure this year.

BUSINESS ANALYSIS

Construction

The core business of our Group is Construction which this year represented 99% of our turnover, almost all of which was carried out in Hong Kong.

Civil Engineering

Our Civil Engineering Division turnover was HK$4.4 billion, an increase of 28% over 2015. We now have 28 active Civil projects of which 17 are in Joint Venture with others. As I mentioned, the Joint Venture tunnel project on the High Speed Rail will be finally completed in April 2017, so we should be able to stop bleeding cash on this job. Together with our partners we will continue to do our utmost to negotiate the best outcome we can. On the other MTR project where our partner got into financial difficulties and we had to take over the management in late 2015, we have been doing very well in physical terms and we hope that MTRC will recognise our commitment and effort and that they will in the end pay us reasonably.

Apart from these projects, most of the other contracts are progressing well both in terms of progress as well as financial performance. There are currently no projects that are seriously affecting our overall Group performance, which is why I am confident we can achieve a better result in 2017.

Chairman's Letter

You may wonder why we form Joint Venture (JV) with other companies on projects that we might actually be able to do on our own. The four reasons are mainly:

1) Balance Sheet – Historically our balance sheet has been rather thin. Only a few years ago (in 2013), our net equity was less than HK$300 million, so it was difficult for us to take up mega projects as clients understandably had doubts on our financial strength. Thanks to the good performance during the past few years, our net equity now stands at HK$547 million, a much better position than before. In this area, I think we have been quite successful.

2) Track Record – For mega size projects, clients generally require the Contractor to have had sufficient previous experience on similar projects. Although we have been in the industry for a long time, our experience on large projects has been thin and we have had to rely on our partner for track record. However, with the mega size projects we have completed or are doing in the last few years, I believe that within the next two or three years, if we choose, we could confidently tender for all but the largest mega projects on our own. This is another big achievement by Build King.

3) Expertise – There are still a lot of areas of expertise that Build King cannot cover. Typical examples are the recent contracts awarded by Airport Authority using "Deep Cement Mixing". This method is done only in Korea and Japan which is why we set up a Joint Venture with Samsung of Korea. Fortunately, we successfully prequalified and have won one HK$2.8 billion package. This also allows us to acquire the necessary expertise which will benefit us in future as this technology is highly likely to be deployed elsewhere on projects in Hong Kong.

4) Spread the risk and resources – Although in future we may be able to take up projects of around HK$2 billion to HK$3 billion by ourselves, if a single project is say HK$5 billion or more or contains significant physical risks, it could be very demanding on management and labour resources, not to mention cashflow. In such a case, we may still decide to go into JV with others.

So although we are stronger and better, it depends on the type of contract whether we choose to form Joint Venture with other companies on tenders, provided always of course whether the joint venture will have a better chance of winning the project.

The prospects in the near future for Civil Engineering are not so bright given the lack of Civil projects available to tender. Facing such a challenge, we held a senior management workshop last November to identify how and where Build King could improve our operational efficiency. As we all know, in a commodity business, the only long term winners are the lowest cost operators, particularly for a razor thin margin business like construction. We identified five areas where we should concentrate our effort with a target to improve our overall efficiency by 3% in 3 years' time. As you know, it is only this year that we have been able to reach my 3% net profit target, so with the tender prices tumbling down, we will try our very best to do 3% better than majority of the industry players, but certainly it is a very tall order. Naturally, this improvement programme applies not only to our Civil Division, also our Building as well as Specialist Division.

We expect it will be only by late 2019 that the civil engineering market will pick up with the start of the structural works on the new reclamation at the Airport; also at that time the MTR may start new lines. Until then, due to the lack of work in this sector, some contractors will inevitably have to curtail their turnover, or even exit temporarily from the market. It is going to be a 2 or 3-year long, cold winter for our industry.

Chairman's Letter

Building

The turnover of our Building Division was HK$466 million, a decrease of 58% over 2015. Given that during the year we secured three new contracts totaling HK$1.7 billion, I expect this year's turnover will increase.

The Building market unlike Civil remains good. The property market remains strong and the property developers are building new projects. I am cautiously optimistic that we can secure another HK$1.5 billion or more in 2017 from the private sector.

However, in the public sector there are two main handicaps that face our Building Division. The first is the lack of Design and Build (D&B) contract experience which is required for mega size contracts managed by Architectural Services Department (ASD). Although we do have on hand our first D&B project with ASD, it will take a while to increase our experience in order that we can prequalify to tender for these contracts. This will take time, and we must be patient. The second is our lack of a Housing Authority NW2 license. I have talked about this topic several times in the past and we are still unable to achieve a breakthrough in this area. Although I have no idea when this will be, we will keep on trying.

Specialist Subsidiaries

Our three subsidiaries, namely Titan Foundation Limited, Integral E&M Engineering Limited and Build King Interior & Construction Limited, together achieved a turnover of HK$612 million in 2016. We expect this to increase to HK$1 billion in 2017, although it should be noted that HK$469 million of this will be from in-house or JV projects. However, the total profit for these subsidiaries was HK$7.5 million in 2016 and our target for 2017 is HK$26 million.

Let's take a look at why we started these subsidiaries and how far we have fulfilled our goal. Our original aim was:

1) Increase our turnover by undertaking more areas of work on projects. I believe we have partially achieved this objective.

2) With in-house specialist companies in these areas can help us to win more Civil and Building Contracts by not having to rely on others for quotations. On this I think we are doing quite well, as we have secured several jobs through this avenue.

3) A new source of income. In 2016, we only achieved a profit of HK$7.5 million from a HK$1 billion turnover, and I was hoping for a higher return. Perhaps when the turnover for each subsidiary is higher, our operations will be more efficient and hence achieve better bottom line. So far I would say this target has been partially achieved.

Staff

In line with the increase in Group turnover in the year, our staff and labour numbers have increased from 1,744 in 2015 to 1,911 by the end of 2016.

Chairman's Letter

Outlook

This industry is known for its volatility, even without the added trouble of filibuster. The total market size in Hong Kong is circa HK$200 billion. This includes private sector projects and also domestic household renovation works. So effectively we may be talking about a construction market size of around HK$150 billion. Given the competitive nature of this business and the number of foreign contractors coming into the market, there is a limit on how far we can keep growing. As our turnover is currently about HK$5 billion and that of the largest contractors in Hong Kong is around HK$15 billion pa., there is still some room for us to grow.

But obviously it should be the bottom line that we need to focus on rather than turnover. To enable the Group in the long term have a steady income stream and in view of the downturn in civil engineering during the next two or three years, we plan to take a three pronged approach in the coming year:

1) Gradually increase the turnover of our Building Division. Our market share in Civil is already quite high, but in Building it is small. As the market in Hong Kong is roughly divided 50% Civil and 50% Building depending on any particular year, it should be possible to increase our turnover in Building. Also our shareholders may note that recently Road King Infrastructure Limited have started property development business in Hong Kong. Our Building Division offered advice to Road King on the construction aspects during their recent land tendering, and naturally we expect to have a high chance of undertaking their construction work.

2) Further increase the turnover of our specialist subsidiaries. As I mention above, this year our target is to have a combined turnover of HK$1 billion from these subsidiaries and if things go well, I am targeting a combined turnover of HK$1.5 billion in a 2/3 years' time with hopefully a meaningful 3-5% net profit.

3) Also, we will continue to explore areas that are construction related and if we see a reasonable profit potential, we will consider whether and how we should get involved. As usual we will start with a small investment and if it works, we will put in a lot more resources. In particular by end of this year, our forecast cash flow is expected to be quite strong, which gives us the luxury to explore other up-stream business opportunities. We need a portion of our profit to come from long term steady sources in order to even out the volatility of the construction business and to increase our competitiveness. One of such possible area is Urban Renewal Authority development projects.

I wish by the time I am writing my annual letter next year, I can have some good news to report.

Environmental Infrastructure Project

Wuxi Sewage Treatment Plant

Our Wuxi plant is performing well with a net profit contribution to the Group's bottom line of around HK$10 million. During 2016, we treated on average 40,000 ton/day, comparable to 2015. The business is now fairly stable and we do not expect any surprises either way.

Dezhou District Heat Provider

We formally invested in this project (49%) in July 2016 and started providing heat in October. The heat providing period is October to March. We invested HK$41 million and registered a profit of HK$8 million in 2016. As we have been upgrading a lot of the facilities during the first few months and do not expect such expenses to continue, we expect the profit for next year will be more attractive.

Other than the project in Dezhou, we did not sign up any new investment projects in 2016, but now that we have bond issued in the sum of HK$128 million and also quite an amount of cash coming in from last year's result and hopefully also this year, we hope we can have one or two more similar projects in 2017.

My view is we cannot expect good results from our construction activities all the time, as sooner or later a bad year will come along (only we don't know when). So we hope with the cash we can accumulate over the years, we can put this into good use to provide a better future and steadier income for our shareholders and staff.

Investment

Our loss in equity last year was HK$0.2 million. We have not made any new investment for quite some time, but if I have a choice, I prefer to invest in new construction business or environmental projects, but those projects do not come by easily. Depending on the surplus cash available, if I can identify a good opportunity, we might resume our investment activity in the coming year.

Chairman's Letter

CORPORATE GOVERNNANCE

Communication with Shareholders

I have been candid with you in my reporting and I will emphasise the pluses as well as minuses that are important in appraising the Group. My guideline is to tell you the business facts that I would want to know if our positions were reversed; I owe you nothing less. There may be some queries or issues you want to raise and so I strongly encourage shareholders to attend the AGM. This is the occasion where the management and owners of the company can discuss the business face to face.

Dividend Policy

This year I am pleased to advise that we are able to distribute a dividend of HK2.5 cents per share, which is again roughly equal to 20% of our profit. I feel the payout ratio of 20% is appropriate in view of our financial situation and the likely needs of the Group. I hope that next year we can again raise the payout amount.

Appreciation

Finally, I would like to take this opportunity to express my hearty gratitude to our shareholders, business partners, directors and our loyal and dedicated staff.

Zen Wei Peu, Derek
Chairman

13 March 2017

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECT

Overall Results

For the year 2016, the Group's turnover increased by 7% from HK$4,572 million to HK$4,871 million; the profit for the year also increased by 59%, from HK$94 million to HK$150 million. The significant increase of the profit for the year was mainly because the gross margin from construction projects was improved from 6% to 7.6% and major projects awarded in the past two years have reached 25% completion stage during the year and started to recognize profit in line with budget.

As reported last year, we anticipated a very competitive construction market; amount of infrastructure works were dwindling due to combined adverse effects of completion of major railways and delayed funding approval by Legislative Council. Amidst of such tough environment, we managed to win 14 new projects (5 building and 9 civil projects) with a total contract sum of HK$6 billion, and together with the ongoing projects, our order book recorded the outstanding value of contracts on hand approximately HK$12 billion as at the date of this report. These newly secured projects include a Deep Cement Mixing project for the third runway at Hong Kong International Airport, construction of a dual two-lane road for Tseung Kwan O-Lam Tin Tunnel, one major improvement works at the new MTR Admiralty station, and design and build project for Kowloon Eastern Regional Police Headquarter. Leveraged on outstanding contracts on hand which are sufficient for our workload in two years, we are confident to endure the difficult period of the construction industry.

On current civil engineering projects, the overall progress was satisfactory. The three projects for Shatin Central Link, namely Kai Tak Station, Diamond Hill Station and Hung Hom North Approach Tunnel are progressing to physical completion within 2017. The Northern Connection Plaza for Tuen Mun-Chek Lap Kok Link completed over 60% and is slightly ahead of the programmes. The infrastructural works of Liangtang/Heung Yuen Wai boundary control point has completed 30% on time and within budget. On Deep Cement Mixing project at Hong Kong International Airport, the barges have been built in Korea and will start the mixing operation in Hong Kong in March 2017. The two joint venture projects for Central - Wan Chai Bypass ("CWB") packages for the Government also progressed in accordance with the respective programmes. On CWB C3 at Wanchai West, the structural works were completed and road works are in full swing with expected completion in early 2018. The CWB C1 at Hong Kong Exhibition and Convention Centre were physically completed in the mid of 2016 and the final account is being finalized.

For building division, both of the construction of Harbour Road Sports Centre and the commercial complex at Tsing Yi were in final stage and are expected to complete in mid 2017. The two building projects awarded in mid 2016, namely headquarter of Scout Association and Kowloon Eastern Regional Headquarter for Hong Kong Police, have started off smoothly.

At Wuxi City, PRC, the sewage treatment plant recorded a profit of HK$10 million and maintained average daily treated volume of 40,000 ton, both of which were comparable to last year.

In 2016, we acquired 49% equity interest at a price of HK$41 million in Dezhou Heng Yuan Heating Company Limited which holds exclusive right granted in 2007 to supply heat for 30 years to the west of the Jianhe in Dezhou Economic Development Zone of approximately 3.5 million square meters. In the first year operation since acquisition, this new joint venture started to contribute HK$8 million profit as planned.

Employees and Remuneration Policies

As at 31 December 2016, the Group had a total of 1,911 employees and total remuneration for the year ended 31 December 2016 was approximately HK$806 million. Competitive remuneration packages are structured for each employee commensurate with individual responsibility, qualifications, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as performance of the individual.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2016, the Group had liquid assets of HK$851 million (as at 31 December 2015: HK$828 million) comprising held-for-trading investments of HK$25 million (as at 31 December 2015: HK$27 million) and bank balances and cash of HK$826 million (as at 31 December 2015: HK$801 million).

As at 31 December 2016, the Group had a total of interest bearing borrowings of HK$371 million (as at 31 December 2015: HK$211 million) comprising bank loans of HK$243 million (as at 31 December 2015: HK$97 million) and the bonds of HK$128 million (as at 31 December 2015: HK$114 million) with following maturity profile:

	At 31 December 2016 HK$ million	At 31 December 2015 HK$ million
On demand or within one year	**192**	56
In the second year	**27**	26
In the third to fifth year inclusive	**152**	129
	371	211

The Group's borrowings, bank balances and cash and held-for-trading investments were principally denominated in Hong Kong dollars. Hence, there is no exposure to foreign exchange rate fluctuations. During the year, the Group had no financial instrument for hedging purpose. As at 31 December 2016, total borrowings of HK$128 million (as at 31 December 2015: HK$114 million) carried interest at fixed rate.

Capital Structure and Gearing

As at 31 December 2016, total equity was HK$547 million (as at 31 December 2015: HK$422 million) comprising ordinary share capital of HK$124 million (as at 31 December 2015: HK$124 million), reserves of HK$423 million (as at 31 December 2015: HK$297 million) and non-controlling interests of (HK$251,000) (as at 31 December 2015: HK$724,000).

As at 31 December 2016, the gearing ratio, representing total interest bearing borrowings as a percentage of total equity, was 68% (as at 31 December 2015: 50%).

Pledge of Assets

As at 31 December 2016, bank deposits of the Group amounting to HK$101,000 (31 December 2015: HK$80,000) were pledged to banks for securing the banking facilities granted to the Group.

Contingent Liabilities

	At 31 December 2016 HK$ million	At 31 December 2015 HK$ million
Outstanding tender/performance/retention bonds in respect of construction contracts	**602**	297

Directors and Senior Management

EXECUTIVE DIRECTORS

ZEN Wei Peu, Derek, age 64, has been the Chairman of the Company since 23 April 2004. He is a member of the Remuneration Committee and a member of the Nomination Committee of the Company. He is also the Vice Chairman of Wai Kee Holdings Limited ("Wai Kee") and an Executive Director of Road King Infrastructure Limited ("Road King"), the shares of both are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Zen holds a Bachelor of Science degree in Engineering from The University of Hong Kong and a Master Degree in Business Administration from The Chinese University of Hong Kong. He is a member of the Institution of Civil Engineers and The Hong Kong Institution of Engineers and a fellow member of the Institution of Quarrying, the United Kingdom ("UK"). He was the Honorary Treasurer of Hong Kong Construction Association. He has over 40 years of experience in civil engineering.

CHANG Kam Chuen, Desmond, age 51, has been appointed as an Executive Director of the Company since 1 June 2008. He has been appointed as the Company Secretary of the Company since 31 May 2005. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and an associate member of Chartered Institute of Management Accountants, UK. He has over 25 years of experience in accounting profession and financial management. Mr. Chang is responsible for the finance, human resources, information technology, administration and secretarial departments of the Group.

NON-EXECUTIVE DIRECTORS

David Howard GEM, age 76, has been appointed as a Non-executive Director of the Company since 9 August 2004. He had been a member of the Audit Committee of the Company since 29 July 2005 and resigned on 12 January 2011. He is a Chartered Engineer and is a member of both the Institution of Civil Engineers, London and The Hong Kong Institution of Engineers. He is also a member of The Chartered Institute of Arbitrators and a fellow of The Hong Kong Institute of Highways and Transportation. He has over 45 years of experience with contractors in the management, design and construction of a wide variety of civil engineering and building projects in UK, Asia and Hong Kong. He was a past Vice President of The Hong Kong Construction Association and Chairman of The Civil Engineering Committee. He was also a past Chairman of the Civil Engineering Division of The Hong Kong Institution of Engineers and a past member of the Construction Advisory Board to the Hong Kong Government.

NON-EXECUTIVE DIRECTORS

CHAN Chi Hung, Anthony, age 43, has been appointed as a Non-executive Director of the Company since 4 December 2008. He holds a Bachelor of Science Degree with major in Economics with University of Minnesota, and is an alumni of Stanford Graduate School of Business with a certificate of Stanford Executive Program. He is currently an Independent Non-executive Director of China Minsheng Drawin Technology Group Limited and Milan Station Holdings Limited, the shares of both are listed on the Main Board of the Stock Exchange. He was an Executive Director of EPI (Holdings) Limited, the shares of which are listed on the Main Board of the Stock Exchange, up to his resignation on 19 October 2016. Mr. Chan was previously the Investment Manager of Springfield Financial Adv. Ltd. in charge of its private equity, fund-of-funds and fixed income investment portfolios. Prior to that, he was with J.P. Morgan Chase.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHOW Ming Kuen, Joseph, OBE, JP, age 75, has been appointed as an Independent Non-executive Director since 23 April 2004. He is the Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee of the Company. He is a professional civil and structural engineer. He is also a fellow of The Hong Kong Institution of Engineers, the Institution of Civil Engineers and The Institution of Structural Engineers. He is the Chairman of Joseph Chow & Partners Limited, a professional firm of independent civil and structural consulting engineers. Dr. Chow previously served as the President of the Hong Kong Institution of Engineers, the Chairman of Hong Kong Engineers' Registration Board, Hong Kong Examinations and Assessment Authority, Pamela Youde Nethersole Eastern Hospital Governing Committee as well as a member of the Hong Kong Housing Authority and Hospital Authority. Dr. Chow is the Chairman of the Hong Kong Construction Workers Registration Authority and an Hon. Senior Superintendent of the Hong Kong Auxiliary Police Force. He is also an Independent Non-executive Director of Chevalier International Holdings Limited, Harbour Centre Development Limited and Road King, the shares of these companies are listed on the Main Board of the Stock Exchange. He was an Independent Non-executive Director of Hsin Chong Construction Group Ltd, the shares of which are listed on the Main Board of the Stock Exchange up to his resignation on 1 October 2015.

HO Tai Wai, David, age 68, has been appointed as an Independent Non-executive Director since 8 September 2004. He is the Chairman of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Ho has over 40 years of experience in finance and accounting. He is a fellow member of the Association of Chartered Certified Accountants of UK, The Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Ho holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He was an Independent Non- executive Director of Cinderella Media Group Limited, the shares of which are listed on the Main Board of the Stock Exchange, up to his resignation on 22 September 2015.

LING LEE Ching Man, Eleanor, SBS, OBE, JP, age 69, has been appointed as an Independent Non-executive Director of the Company since 30 September 2014. She is the Chairwoman of the Nomination Committee, and a member of the Audit Committee and the Remuneration Committee of the Company. She was an Independent Non-executive Director of Cinderella Media Group Limited, the shares of which are listed on the Main Board of the Stock Exchange, up to her resignation on 22 September 2015. Mrs. Ling had over 30 years of management experience with one of the largest multinational group in Asia and is a Fellow of the Institute of Chartered Management. Mrs. Ling has retired but remains involved in public services such as the Law Reform Commission and the Medical Council. She is also active in charitable organizations, such as the Maggie's Cancer Caring Centre. She is a Vice Patron of the Community Chest.

SENIOR MANAGEMENT

CHEUNG Siu Lun, age 66, is responsible for the Group's business development. He is a Director of Build King Construction Limited ("BKCL"), Build King Civil Engineering Limited ("Build King Civil") and Build King (Zens) Engineering Limited ("Build King (Zens) Engineering"). He holds a Bachelor of Science Degree in Civil Engineering from The University of Hong Kong. He is a member of the Institution of Civil Engineers and a fellow of The Hong Kong Institution of Engineers. He is also a Chartered Engineer of UK. He is a member of the Faculty Advisory Committee of the Faculty of Science and Technology of the Technological and Higher Education Institute of Hong Kong. He has over 40 years of experience in both civil engineering and building construction.

KWOK Chi Ko, Enmale, age 60, is responsible for the Group's contract administration and commercial management for all building and construction related businesses. He is a Director of BKCL, Build King Civil and Build King (Zens) Engineering. He holds an Engineering Doctorate Degree, a Master Degree in Arbitration & Dispute Resolution and a Master Degree in Laws. He is a Chartered Quantity Surveyor, a Registered Professional Surveyor (QS) and an Accredited Mediator and has been a Fellow Member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. He has had over 35 years of experience in building and construction industry.

LEE Man Wai, age 55, is responsible for the Group's tendering activities. He is a Director of BKCL, Build King Civil and Build King (Zens) Engineering. He has over 35 years of extensive experience in tendering and commercial management of civil engineering and building project in Hong Kong.

LIU Sing Pang, Simon, age 55, is responsible for the Group's civil engineering operation in Hong Kong. He is a Director of BKCL, Build King Civil and Build King (Zens) Engineering. He is a member of the Institution of Structural Engineers and a fellow member of the Hong Kong Institution of Engineer. He is also a Chartered Engineer of UK. He is Vice Chairman of Civil Engineering Committee of Hong Kong Construction Association. He is also a member of Appeal Tribunal Panel under the Buildings Ordinance, the Committee on Technologist Training of Vocational Training Council and the Registered Contractors' Disciplinary Board Panel under the Buildings Ordinance. He has over 30 years of experience in civil engineering and building construction.

LUI Yau Chun, Paul, age 56, is responsible for the Group's civil and marine engineering operation in Hong Kong. He is a Director and the General Manager (Marine) of Build King (Zens) Engineering, a Director of BKCL, Build King Civil and Leader Marine Contractors Limited, and the General Manager of Leader Marine Cont. L.L.C. which was registered in Sharjah, UAE. He is a member of the Institution of Structural Engineers, and of the Hong Kong Institution of Engineers. He has been a member of the Buildings Department Contractors Registration Committee (General Building Contractors) since January 2017. He has over 30 years of experience in civil and marine engineering.

SO Yiu Wing, Wilfred, age 42, is responsible for the Group's civil engineering operation in Hong Kong. He is a Director of BKCL, Build King Civil and Build King (Zens) Engineering. He holds a Bachelor degree in Civil Engineering from The University of Hong Kong. He is a member of The Hong Kong Institution of Engineers and a Registered Professional Engineer (CVL). He is a council member of Hong Kong Construction Association. He has over 20 years of experience in civil engineering construction.

TSANG Wing Ho, Francis, age 59, is responsible for the Group's building operation. He is a Director of BKCL and Build King Civil. He holds a Bachelor of Science degree in Civil Engineering from The City University, UK and a Master degree in General Business Administration from The University of Hull, UK. He is a member of The Institution of Civil Engineers and The Hong Kong Institution of Engineers. He has over 35 years of experience in the construction industry including construction supervision, design and project management.

SENIOR MANAGEMENT (Continued)

TSUI Wai Tim, age 54, is responsible for the Group's civil engineering operation in Hong Kong. He is a Director of BKCL, Build King Civil and Build King (Zens) Engineering. Mr. Tsui is a chartered and registered professional engineer and a fellow of The Hong Kong Institution of Engineers, the Institution of Civil Engineers, the Hong Kong Institute of Construction Managers, the Hong Kong Institution of Highways and Transportation and a member of the Hong Kong Institute of Real Estate Administrators. Mr. Tsui is the Vice President and Council Member of the Hong Kong Construction Association, a member of the Pneumoconiosis Compensation Fund Board, a Council Member of the Hong Kong Institution of Highways and Transportation and the Immediate Past Chairman of the Building Division of The Hong Kong Institution of Engineers. Mr. Tsui has over 30 years of experience in construction industry in Hong Kong and overseas. Prior to joining the Group, he held a senior management position in a major construction group in Hong Kong.

WU Siu Ho, age 64, is responsible for the Group's new business development. He is a Director of BKCL and Build King Civil. He is also the project director of MTR Contract No. SCL1108 Kai Tak Station and Associated Tunnels and MTR Contract No. SCL1106 Diamond Hill Station. He holds a Bachelor of Science Degree in Engineering from The University of Hong Kong. He has over 40 years of extensive experience in management of engineering companies. He is a member of The Institution of Mechanical Engineers and The Hong Kong Institution of Engineers. He is also a Chartered Engineer of UK.

YIU Cheuk Hung, Kenneth, age 51, is responsible for the Group's building operation in Hong Kong. He is a Director of BKCL. He holds an Executive Master Degree of Business Administration from The Chinese University of Hong Kong and a Master Degree of Project Management from University of South Australia. He is a member of the Hong Kong Institution of Engineer, the Chartered Institute of Building (UK) and the Hong Kong Institute of Construction Managers. He has over 30 years of experience in the construction industry including design, construction and project management.

Directors' Report

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 47 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the five largest customers of the Group together accounted for approximately 90% of the Group's turnover, with the largest customer accounted for approximately 44%, and the five largest suppliers of the Group together represented less than 8% by value of the Group's total purchases.

Except two Directors, one of whom with his associate, had nominal beneficial interest in one of the Group's five largest customers, none of the other Directors, or any of their associates, or any shareholders which, to the knowledge of the Directors, owned more than 5% of the Company's share capital, had any beneficial interests in the Group's five largest customers or five largest suppliers as mentioned in the preceding paragraph.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 65 and 66 respectively.

The Board recommends the payment of a final dividend of HK2.5 cents per ordinary share for the year ended 31 December 2016 to shareholders whose names appear in the register of members of the Company on Friday, 26 May 2017. The details of the final dividend are set out in note 13 to the consolidated financial statements.

Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the payment of final dividend will be made on or before Friday, 23 June 2017.

CLOSURES OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting to be held on Thursday, 18 May 2017, the register of members of the Company will be closed from Monday, 15 May 2017 to Thursday, 18 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 12 May 2017.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is on Friday, 26 May 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 25 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 24 May 2017.

Directors' Report

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the sections headed "Financial Highlights" on page 2, "Chairman's Letter" on pages 3 to 8, "Management Discussion and Analysis" on pages 9 and 10, "Corporate Governance Report" on pages 25 to 37, "Consolidated Financial Statements" on pages 65 to 130 and "Financial Summary" on page 131. Description of the principal risks and uncertainties facing the Group can be found throughout this annual report.

SEGMENTAL INFORMATION

Details of the segmental information are set out in note 6 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in notes 31 and 32 to the consolidated financial statements.

RESERVES

Details of movement in the reserves of the Group for the year is set out in the consolidated statement of changes in equity on page 69.

DISTRIBUTABLE RESERVES

The reserves of the Company which were available for distribution to the shareholders at 31 December 2016 were HK$2,694,000.

EQUITY-LINKED AGREEMENTS

For the year ended 31 December 2016, the Company has not entered into any equity-linked agreement.

FINANCIAL SUMMARY

A summary of the results and of financial position of the Group for the past five financial years is set out on page 131.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

BANK BORROWINGS

Details of the Group's bank borrowings for the year ended 31 December 2016 are set out in note 30 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the Company's pension schemes are set out in note 42 to the consolidated financial statements.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the financial year and up to the date of this report are:

Executive Directors

Zen Wei Peu, Derek *(Chairman, Chief Executive Officer and Managing Director)*
Chang Kam Chuen, Desmond

Non-executive Directors

David Howard Gem
Cheng Chi Pang, Leslie (Retired on 19 May 2016)
Chan Chi Hung, Anthony

Independent Non-executive Directors

Chow Ming Kuen, Joseph
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor

Details of the Directors are set out in the section of Directors and Senior Management.

In accordance with Bye-law 111 of the Company's Bye-laws, Mr. Zen Wei Peu, Derek, Mr. Chang Kam Chuen, Desmond and Dr. Chow Ming Kuen, Joseph shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence during the year ended 31 December 2016 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company considers all the Independent Non-executive Directors to be independent.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in note 10 to the consolidated financial statements.

DIRECTORS' INTERESTS

As at 31 December 2016, the interests (including short positions) of the directors (the "Directors") and chief executive of the Company (including their respective spouses, infant children, related trusts and companies controlled by them) in the Shares, convertible securities, warrants, options or derivatives in respect of securities which carried voting rights of the Company and its associated corporations (within the meaning of the Securities & Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position in which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, were as follows:

(I) The Company

Interests in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held Long Position (Note)	Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Personal	123,725,228	–	9.96
Chang Kam Chuen, Desmond	Personal	1,500,000	–	0.12
David Howard Gem	Personal	900,000	–	0.07

Note: Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

(II) Associated Corporations

Interests in Shares

Name of Director	Name of company	Capacity/ Nature of interest	Number of shares held Long Position (Note 1)	Short position	Percentage of shareholding (%)
Zen Wei Peu, Derek	Wai Kee Holdings Limited ("Wai Kee")	Personal	185,557,078	–	23.40
	Wai Kee (Zens) Construction & Transportation Company Limited (Note 2)	Personal	2,000,000	–	10.00
	Wai Luen Stone Products Limited	Personal	30,000	–	37.50

Note:

1. Long position in the shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).

2. With effect from 29 February 2016, the name of Wai Kee (Zens) Construction & Transportation Company Limited has been changed to Build King (Zens) Engineering Limited.

DIRECTORS' INTERESTS (Continued)

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company had any interests or short positions in any equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save as disclosed above, none of the Directors nor any of their associates had any interests in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, none of the Directors nor their spouses or children under 18 years of age were granted or had exercised any rights to subscribe for any securities of the Company or any of its associated corporations.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debenture of, the Company or of any other body corporate.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" below and in note 43 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director and everyone of their heirs, executors and administrators shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has arranged appropriate directors and officers liability insurance for its Directors and officers.

COMPETING INTEREST

During the year, no Director was interested in the business which competes or was likely to compete either directly or indirectly, with the business of the Group as required to be disclosed under the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2016, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

		Number of Shares held and percentage of shareholding			
		Long position (Note 1)		**Short position**	
Name of substantial Shareholder	**Capacity/Nature of interest**	**Number of Shares**	**%**	**Number of Shares**	**%**
Top Horizon Holdings Limited ("Top Horizon") (Note 2)	Beneficial owner	655,415,033	52.78	–	–
Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)") (Note 3)	Corporate	655,415,033	52.78	–	–
Wai Kee (Note 4)	Corporate	655,415,033	52.78	–	–

Notes:

1. Long position in the Shares.

2. Top Horizon is a direct wholly-owned subsidiary of Wai Kee (Zens). Mr. Zen Wei Peu, Derek is a director of Top Horizon.

3. Wai Kee (Zens) is deemed to be interested in the Shares through its interests in Top Horizon. Mr. Zen Wei Peu, Derek is a director of Wai Kee (Zens).

4. Wai Kee (Zens) is a direct wholly-owned subsidiary of Wai Kee. Accordingly, Wai Kee is deemed to be interested in the Shares through its interests in Wai Kee (Zens). Mr. Zen Wei Peu, Derek is the Vice Chairman, the Chief Executive Officer and an executive director of Wai Kee.

Save as disclosed above, as at 31 December 2016, no other person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

(1) Framework Agreements with Wai Kee

On 18 November 2013, the Company entered into a framework agreement (the "2013 Framework Agreement") with Wai Kee ((i) in which Mr. Zen Wei Peu, Derek holds shares as disclosed in (II) under the heading "Directors' Interests" above; and (ii) which is a connected person of the Company by virtue of its being a substantial shareholder of the Company), whereby the Group may, but is not obliged to, purchase ready mixed concrete ("Concrete") from Wai Kee (or its subsidiaries and/or associates) from time to time during the period from 1 January 2014 to 31 December 2016 for the Group's construction projects, subject to the terms and conditions of the 2013 Framework Agreement. The maximum aggregate value of the contract sum in respect of the purchase of Concrete by the Group from Wai Kee (or its subsidiaries and/or associates) for the periods concerned under the 2013 Framework Agreement are subject to annual caps and shall not exceed the amounts set out below:

Period	Total value not exceeding
1 January 2014 - 31 December 2014	HK$32,000,000
1 January 2015 - 31 December 2015	HK$50,000,000
1 January 2016 - 31 December 2016	HK$43,000,000

As the Group expected that the aggregate amounts of Concrete procured or to be procured from Wai Kee in the financial year of 2016 would exceed the aforesaid 2016 annual cap of HK$43 million, the Company entered into another framework agreement (the "2016 Framework Agreement) with Wai Kee on 7 June 2016, whereby the Group may, but is not obliged to, purchase Concrete from Wai Kee (or its subsidiaries and/or associates) from time to time for the period from 1 January 2016 to 31 December 2018 for the Group's construction projects, subject to the terms and conditions of the 2016 Framework Agreement. The maximum aggregate value of the contract sum in respect of the purchase of Concrete by the Group from Wai Kee (or its subsidiaries and/or associates) for the periods concerned under the 2016 Framework Agreement are subject to annual caps and shall not exceed the amounts set out below:

Period	Total value not exceeding
1 January 2016 - 31 December 2016	HK$90,000,000
1 January 2017 - 31 December 2017	HK$80,000,000
1 January 2018 - 31 December 2018	HK$60,000,000

During the year, the relevant maximum aggregate value of the contracts was approximate HK$89,352,000 and the transactions are disclosed in note 43 to the consolidated financial statements.

(2) Framework Agreement with Grandeur Building Material (Holdings) Limited ("Grandeur Building")

On 14 February 2014, Leader Marine Contractors Limited ("Leader Marine", a wholly-owned subsidiary of the Company) entered into a framework agreement (the "Framework Agreement") with Grandeur Building, a wholly-owned subsidiary of Wai Kee, for the continuing provision of Transportation Service from time to time for a period from 1 March 2014 to 31 December 2016, subject to the terms and conditions of the Framework Agreement. The maximum total value of the contract sum in respect of the continuing provision of Transportation Service by Leader Marine to Grandeur Building for the periods concerned under the Framework Agreement are subject to proposed caps and shall not exceed the amounts set out below:

Period	Total value not exceeding
1 March 2014 - 31 December 2014	HK$17,000,000
1 January 2015 - 31 December 2015	HK$21,000,000
1 January 2016 - 31 December 2016	HK$21,000,000

During the year, the relevant maximum total value of the contracts was approximate HK$9,933,000 and the transactions are disclosed in note 43 to the consolidated financial statements.

CONNECTED TRANSACTIONS (Continued)

The continuing connected transactions mentioned in (1) to (2) above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

(i) in the ordinary course and usual course of business of the Company;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;

(iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole; and

(iv) within the caps as disclosed in the relevant announcements.

The Company has engaged the auditor of the Company to report the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

(1) Term loan facility of up to HK$25 million

On 8 June 2015, the Company as a guarantor executed a guarantee in favour of a bank. The bank had agreed to grant Build King Civil Engineering Limited ("Build King Civil", formerly known as Leader Civil Engineering Corporation Limited), a wholly-owned subsidiary of the Company, a term loan facility of up to HK$25 million (the "Banking Facility") with final repayment date falling twenty-four months after the date of first advance of the Banking Facility. Throughout the life of the Banking Facility, the Company shall remain directly or indirectly at least 50% beneficially owned by Wai Kee.

(2) General banking facility of up to HK$18 million

On 7 September 2015, Build King Construction Limited ("BKCL", formerly known as Kaden Construction Limited), a wholly-owned subsidiary of the Company, confirmed its acceptance of a facility letter (the "Facility Letter") issued by a bank (the "Bank"). Pursuant to the Facility Letter, the Bank agreed to grant BKCL a general banking facility of up to HK$18 million (the "Banking Facility") repayable by 48 monthly instalments each inclusive of interest, commencing on the date falling one month from the utilization date. Throughout the life of the Banking Facility, Wai Kee shall beneficially hold not less than 50% interest (directly or indirectly) in the issued share capital of the Company.

(3) Term loan facility of up to HK$69.61 million

On 14 November 2016, Build King Civil confirmed its acceptance of the revised banking facilities (the "Banking Facilities") under the terms and conditions of a facility letter dated 2 November 2016 (the "Facility Letter") issued by a bank (the "Bank"). The Banking Facilities comprise four instalment loans up to an aggregate maximum amount of approximately HK$69.61 million with details as follows:

(i) an outstanding loan facility of approximately HK$2.76 million, of which the original loan amount granted to Build King Civil under a facility letter dated 11 December 2013 was HK$8 million repayable by 48 monthly instalments, is to be repaid by 16 monthly instalments each inclusive of interest；

(ii) an outstanding loan facility of approximately HK$2.57 million, of which the original loan amount granted to Build King Civil under a facility letter dated 11 December 2013 was HK$7 million repayable by 48 monthly instalments, is to be repaid by 17 monthly instalments each inclusive of interest；

(iii) an outstanding loan facility of approximately HK$9.28 million, of which the original loan amount granted to Build King Civil under a facility letter dated 2 February 2015 was HK$15 million repayable by 48 monthly instalments each inclusive of interest, is to be repaid by 29 monthly instalments each inclusive of interest; and

(iv) a new loan facility of up to HK$55 million (the "New Loan Facility") to be granted to Build King Civil and repayable by 30 monthly instalments each inclusive of interest, commencing on the date falling seven months from the first drawdown date. The New Loan Facility is available for drawdown within six months from the date of accepting the Facility Letter.

Throughout the life of the Banking Facilities, Wai Kee shall beneficially hold not less than 30% interest (directly or indirectly) in the issued share capital of the Company.

Save as disclosed above, as at 31 December 2016, the Company did not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Upon enquiry by the Company, save as disclosed below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report:

Name of Director	Details of Changes
CHANG Kam Chuen, Desmond	Mr. Chang' s annual salary has been revised from HK$2.17 million to HK$2.22 million with effect from 1 January 2017.
CHAN Chi Hung, Anthony	Mr. Chan has resigned as an executive director of EPI (Holdings) Limited (Stock Code: 689) with effect from 19 October 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximate HK$11,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the per cent of its public float exceeds 25% for the year ended 31 December 2016 and up to 13 March 2017, the latest practicable date to ascertain such information prior to the issue of this annual report.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as Auditor of the Company.

On behalf of the Board

Zen Wei Peu, Derek
Chairman

13 March 2017

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining the highest standard of corporate governance as it believes that good corporate governance practices are fundamental to the effective operation of a company and can enhance shareholders' value as well as safeguard shareholders' interests. The Company places strong emphasis on a quality Board, accountability, sound internal control, appropriate risk-assessment, monitoring procedures and transparency to all shareholders and stakeholders.

Throughout the year of 2016, the Company has complied with the code provisions of Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules, except for code provision A.2.1 in respect of the separate roles of the chairman and chief executive officer.

Mr. Zen Wei Peu, Derek has been both the Chairman and Chief Executive Officer of the Company. In addition to his responsibilities as Chairman overseeing the function of the Board and formulating overall strategies and polices of the Company, Mr. Zen has taken up the management of the Group's business and overall operation. However, the day-to-day running of the Company has been delegated to the divisional heads responsible for the different aspects of the business.

THE BOARD

Composition

The Board has a balanced composition of members to ensure independent judgement being exercised in all discussions. As at the date of this report, the Board comprises seven Directors including two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Board members are listed below:

Board of Directors

Executive Directors	**Non-executive Directors**	**Independent Non-executive Directors**
Zen Wei Peu, Derek *(Chairman, Chief Executive Officer and Managing Director)*	David Howard Gem	Chow Ming Kuen, Joseph
Chang Kam Chuen, Desmond	Chan Chi Hung, Anthony	Ho Tai Wai, David
		Ling Lee Ching Man, Eleanor

With the expertise contributed by each of the Directors, the Board has a wide spectrum of valuable business experience, knowledge and professionalism for its efficient and effective functioning. Biographical details are set out in the "Directors and Senior Management" section of this annual report. An updated list of Directors and their respective roles and functions are maintained on the websites of the Company and the Stock Exchange.

During the year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules regarding the appointment of at least three Independent Non-executive Directors including one Independent Non-executive Director with accounting or related financial management expertise and the number of Independent Non-executive Directors representing at least one-third of the Board.

There is no financial, business and family relationship among members of the Board.

THE BOARD (Continued)

Appointment and Re-election

Pursuant to the Bye-laws, the Board may appoint a director either to fill a causal vacancy or as an addition to the Board from time to time during the year following the recommendation from the Nomination Committee. Any Director appointed by the Board to fill a causal vacancy shall hold office until the first general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. In addition, at each annual general meeting, at least one-third of the Directors for the time being shall retire from office by rotation and are eligible for re-election.

Non-executive Directors

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Each Non-executive Director (including Independent Non-executive Director) of the Company has entered into a Letter of Appointment with the Company for a specific term not more than three years, subject to re-election at the general meeting.

Independence of Independent Non-executive Directors

The Company has received written confirmation of independence from each of the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board considers them to be independent in accordance with the Listing Rules.

Role and Delegation

The primary role of the Board is to protect and enhance shareholders' long-term value. It assumes the responsibility for providing effective and responsible leadership and control of the Company, and directing and supervising the Company's affairs in pursuit of the Group's strategic objectives.

The Board, led by the Chairman, approves and monitors Group's strategies and policies, evaluates the performance of the Group and supervises the management. In addition, the Board reserved for its decisions all major matters of the Company, including approval and monitoring of budgets, internal control and risk management, dividend payout, material transaction (in particular those may involve conflict of interests), preparation and release of financial information, appointment of Directors, other significant financial and operational matters.

There is no separation of the role of the Chairman and the Chief Executive Officer in the Company. The Chairman provides leadership of the Board and undertakes the role of the Chief Executive Officer. Mr. Zen has taken up the management of the Group's business and overall operation. However, the day-to-day running of the Company has been delegated to the divisional heads responsible for the different aspects of the business.

THE BOARD (Continued)

Role and Delegation (Continued)

The Board also ensures the good corporate governance policies and practices are implemented within the Group, and is responsible for performing the corporate governance duties including the following:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct manual applicable to employees and the Directors; and
- to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The internal audit team has also carried out a compliance review on the Code and reported to the Board that the Group has properly followed the requirements of the Code.

The Group has adopted a number of policies and procedures of the Company, all of which have been documented and communicated to the Directors and employees via Employees' Handbooks and internal memorandum to ensure good corporate practices and high standard of business conducts and ethics of the Group. The effectiveness of these policies is reviewed on a regular basis.

THE BOARD (Continued)

Board Meetings

The Board meets regularly at least four times each year and additional meetings are arranged if and when required. The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. During the year, the attendance records of individual Directors at the Board meetings, meetings of three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, the annual general meeting held on 19 May 2016 and the special general meeting held on 6 July 2016 are set out below:

	Meetings attended/held					
Name of Director	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting held on 19 May 2016**	**Special General Meeting held on 6 July 2016**
Executive Directors						
Zen Wei Peu, Derek	6/6	–	2/2	2/2	1	1
Chang Kam Chuen, Desmond	6/6	–	–	–	1	1
Non-executive Directors						
David Howard Gem	4/6	–	–	–	0	0
Cheng Chi Pang, Leslie (retired on 19 May 2016)	2/3	–	–	–	1	–
Chan Chi Hung, Anthony	6/6	–	–	–	1	1
Independent Non-executive Directors						
Chow Ming Kuen, Joseph	6/6	3/4	2/2	2/2	0	1
Ho Tai Wai, David	6/6	4/4	2/2	2/2	1	1
Ling Lee Ching Man, Eleanor	6/6	4/4	2/2	2/2	1	1

Note:

"-": Not Applicable

Notice of regular Board meetings is given to all Directors at least 14 days before each meeting, and all Directors are given the opportunity to include matters in the agenda for discussion at the Board meetings. The agenda and meeting materials are normally sent to all Directors at least three days before the regular Board meeting (and so far as practicable for such other Board meetings) to ensure that they have sufficient time and attention to the affairs of the Company.

In order to have an effective Board, all Directors are provided with information on activities and developments in and the financial performance of the Group's business on a monthly basis to keep them apprised of the latest developments of the Group. They have full access to information on the Group and are able to invite management and professional advisers, where appropriate, to attend Board meetings.

All Directors have direct access to the Company Secretary who is responsible for advising the Board on corporate governance and compliance issues. The Company Secretary is also responsible for taking the minutes of Board and Board Committees' meetings. Such minutes are open for inspection by Directors.

Each Director is required to make disclosure of his interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by Directors at the Board and Board Committees' meetings. Any Director shall not vote on any resolution of the Board and Board Committees approving any contract or arrangement or any other proposal in which he/she (or his/her associates) is materially interested nor shall he/she be counted in the quorum present at the meeting.

THE BOARD (Continued)

Induction and Continuous Professional Development

Directors should keep abreast of their collective responsibilities. Briefing of the Group's business will be given to newly appointed Director and a comprehensive induction package including the statutory and regulatory obligations of a director of a listed company shall also be provided. The Group also provides seminars and trainings to develop and refresh the Directors' knowledge and skills. The Group continuously updates the Directors on the latest developments regarding the Listing Rules and applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2016 and up to the date of this report, no new Director is appointed.

All Directors are requested to provide the Company with their respective training records pursuant to the Code. Trainings received by each of the Directors during the period from 1 January 2016 to 31 December 2016 are summarized as follows:

Name of Director	Type of continuous professional development
Executive Directors	
Zen Wei Peu, Derek	A,B
Chang Kam Chuen, Desmond	A,B
Non-executive Directors	
David Howard Gem	B
Chan Chi Hung, Anthony	A,B
Independent Non-executive Directors	
Chow Ming Kuen, Joseph	A,B
Ho Tai Wai, David	A,B
Ling Lee Ching Man, Eleanor	B

A: attending seminars and/or conference and/or forum

B: reading newspapers, journals and updates relating to the economy, general business, accounting, laws, rules and regulations, etc.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the Code. During the year, no claim was made against the Directors and officers of the Company.

THE BOARD (Continued)

Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer is Mr. Zen Wei Peu, Derek.

The role of the Chairman is to oversee the functioning of the Board and ensure the establishment of strategic direction of the Group. The Chairman provides leadership for the Board and ensures that the Company establishes sound corporate governance practices and procedures. He also encourages all the Directors to make a full and active contribution to the affairs of the Board.

There is no separation of the role of the Chairman and the Chief Executive Officer in the Company. The Chairman provides leadership of the Board and undertakes the management of the Group's business and overall operation. However, the day-to-day running of the Company has been delegated to the divisional heads responsible for the different aspects of the business.

The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there are a strong and independent non-executive directorship element on the Board and a clear division of responsibility in running the business of the Group. The Board believes that the structure outlined above is beneficial to the Company and its business.

Board Diversity Policy

The Board has adopted a Board Diversity Policy. The Policy aims to set out the approach to achieve diversity on the Board to ensure that the Board has the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

BOARD COMMITTEES

The Board has delegated authority to three Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, to oversee particular aspects of the Company's affairs. The updated terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are available on the websites of the Company and the Stock Exchange.

Audit Committee

Composition

The Audit Committee was formed in 2004 and currently comprises three members, namely Mr. Ho Tai Wai, David (Chairman of the Audit Committee), Dr. Chow Ming Kuen, Joseph and Mrs. Ling Lee Ching Man, Eleanor, all of whom are Independent Non-executive Directors.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

Role and Function

The main responsibilities of the Audit Committee are to review the consolidated financial statements and the external auditor's reports, and to monitor the integrity of the consolidated financial statements. It also assists the Board to oversee financial reporting system, risk management, internal control systems and internal and external audit functions. The Committee meets at least twice a year with the Company's external auditor to discuss the audit process and accounting issues.

Summary of Work Done

The following is a summary of major work performed by the Audit Committee during the year ended 31 December 2016 and up to the date of this report:

- Approval of remuneration and terms of engagement of the external auditor;
- Review of the annual results of the Group for the years ended 31 December 2015 and 2016, and the interim results of the Group for the six months ended 30 June 2016;
- Review of the Group's financial information, financial reporting procedures, risk management, internal control systems, and financial and accounting policies and practices;
- Review of external auditor's independence and objectivity and the effectiveness of the audit process, and review of policy on engaging the external auditor to provide non-audit services;
- Review of the audit plan for the financial year ended 31 December 2016;
- Review of internal/external auditor's significant findings and recommendations, and monitoring of the subsequent implementation;
- Recommendation to the Board to re-appoint the external auditor at the 2016 and 2017 annual general meetings;
- Review of the effectiveness of the internal audit function of the Company;
- Review of the 2017 internal audit plan;
- Review of the findings in the internal control reports;
- Review of reporting mechanism for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters related to the Company;
- Review of the continuing connected transactions of the Company; and
- Meetings with the external auditor, in the absence of Executive Directors and management.

BOARD COMMITTEES (Continued)

Nomination Committee

Composition

The Nomination Committee was set up in 2012 and currently comprises four members, namely Mrs. Ling Lee Ching Man, Eleanor (Chairwoman of the Nomination Committee), Dr. Chow Ming Kuen, Joseph, Mr. Ho Tai Wai, David and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

Role and Function

The Nomination Committee was established to ensure that there are deliberative, considered and transparent procedures for the appointment of the Directors. The duties of this Committee include reviewing the structure, size and composition (including but not limited to gender, age, cultural background, educational background, skills, knowledge, professional experience and/or length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships based on merit against objective criteria and with due regard for the benefits of diversity on the Board.

Summary of Work Done

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2016 and up to the date of this report:

- Review of the structure, size and composition (including but not limited to gender, age, cultural background, educational background, skills, knowledge, professional experience and/or length of service) of the Board;
- Review of its constitution and terms of reference;
- Review of the Board Diversity Policy and the measurable objectives for implementing diversity on the Board;
- Assessment of the independence of the Independent Non-executive Directors; and
- Determination of the rotation of the Directors for the annual general meeting to be held in May 2017.

Nomination Procedures

Appointments of new Directors are first considered by the Nomination Committee. In considering the appointment of a Director, this Committee applies criteria such as relevant experience, professional and educational background, as well as the diversity on the Board. The recommendations of this Committee are then put to the Board for consideration and approval. Thereafter, any Director appointed by the Board is subject to re-election at the general meeting after his/her appointment.

BOARD COMMITTEES (Continued)

Remuneration Committee

Composition

The Remuneration Committee was formed in 2005 and currently comprises four members, namely Dr. Chow Ming Kuen, Joseph (Chairman of the Remuneration Committee), Mr. Ho Tai Wai, David, Mrs. Ling Lee Ching Man, Eleanor and Mr. Zen Wei Peu, Derek. Except for Mr. Zen Wei Peu, Derek, an Executive Director, all other members are Independent Non-executive Directors.

Role and Function

The Remuneration Committee has been established to ensure that there are formal and transparent procedures to assist the Board in determining the remuneration policy of the Company and structuring the remuneration of senior management. This Committee is responsible for making recommendation to the Board on the Company's policy and structuring for all Executive Directors' and senior management's remuneration, and reviewing and approving the management's remuneration proposal with reference to the Board's corporate goals and objectives. It also determines, with delegated responsibility, remuneration packages of individual Executive Directors and senior management, and makes recommendations on remuneration of Non-executive Directors (including Independent Non-executive Directors).

Summary of Work Done

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2016 and up to the date of this report:

- Approval of the service contracts of the Executive Directors;
- Approval of year end bonus of Executive Directors for 2015 and 2016;
- Approval of emoluments of Executive Directors (where Mr. Zen Wei Peu, Derek abstained from voting in determining his own remuneration) and senior management; and
- Approval of salary adjustment in 2016 and 2017;

Remuneration policy

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualification, experience and performance. In addition, discretionary bonuses may be paid depending upon the financial performance of the Group as well as the performance of the individual. No individual determine his own remuneration.

The remuneration of a Director is determined with reference to his duties and responsibilities with the Company and the prevailing market situation. Details of the emoluments of Directors for the year ended 31 December 2016 are set out in note 10 to the consolidated financial statements of this annual report. The emoluments paid to senior management for the year ended 31 December 2016 were within the following bands:

	Number of Senior Management
up to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	4
HK$3,000,001 to HK$4,000,000	5

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' Securities Transactions. All Directors have confirmed, following specific enquiry, that they have complied with the Model Code throughout the year ended 31 December 2016.

The Company has also adopted a code of conduct governing securities transactions by employees who are likely to be in possession of unpublished price-sensitive information in relation to the Group.

Formal notifications are sent by the Company to all Directors and relevant employees reminding them that they should not deal in the securities of the Company during the "black out period" specified in the Model Code.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities, with the support from the Finance and Accounting Department, to prepare the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of price sensitive information, announcements and financial disclosures and authorizes their publication as and when required.

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

Messrs. Deloitte Touche Tohmatsu has been re-appointed as the Company's external auditor at the annual general meeting of 2016 until the conclusion of the next annual general meeting.

The fees paid/payable to external auditor for audit and non-audit services for the year ended 31 December 2016 are as follows:

Type of services	**Fee paid/payable** HK$
Audit	1,813,000
Non-audit services	
Interim review	480,000
Other services	380,000
Total	2,673,000

The statement of the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, regarding their reporting responsibilities is set out on pages 63 and 64 in the Independent Auditor's Report forming part of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain sound and effective risk management and internal control systems to safeguard the Company's assets and shareholders' interest.

The risk management process includes risk identification, risk assessment, risk control and risk monitoring. The internal control system comprises a well-defined organisational structure and comprehensive policies and standards. Responsibilities of each business and operational unit are clearly defined to ensure effective authority delegation and proper segregation of duties.

The Audit Committee, which was delegated by the Board, has reviewed and evaluated, via the internal audit team, the effectiveness of the Group's risk management and internal control systems put in place by management covering all material controls, including financial, operational and compliance controls as well as risk management functions of the Company and its subsidiaries for the year ended 31 December 2016. The Audit Committee considered that the risk management and internal control systems of the Company and its subsidiaries were effective and adequate.

During the year, the internal audit team conducts systematic reviews of the Group's risk management and internal control systems by using a risk-based audit approach and reviews the effectiveness of the Group's systems of risk management and internal control against the framework of the Committee of Sponsoring Organization of the Treadway Commission in order to provide reasonable assurance, but not absolute, of the effectiveness of the systems. The internal audit team had carried out its mission by:

- identifying and prioritizing potential business risks;
- performing risk-based audits;
- evaluating effectiveness and compliance with internal policies and procedures;
- analyzing causes for errors and irregularities found;
- recommending good internal controls to prevent unintentional mistakes, discourage fraudulent acts, and promote operational efficiency and ethical standards;
- performing follow up procedures on corrective actions;
- appraising the soundness and adequacy of various departments' ongoing maintenance of internal controls;
- providing consulting and advisory services on control and related matters;
- conducting independent investigation of situations raised by whistleblowers, if any; and
- maintaining open communication with the Chairman, Audit Committee and auditee management.

The internal audit team reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and controlling system. The internal audit team reports audit findings together with recommendations to the Audit Committee on a timely basis upon completion of the relevant audit review. All critical audit findings and control weaknesses are summarized and presented to the Audit Committee on a semi-annual basis, which in turn reports to the Board.

QUALITY ASSURANCE, SAFETY AND ENVIRONMENTAL MANAGEMENT

The Group is dedicated to excellence in Quality, Safety and Environmental Protection. Since 2004, it has adopted an Integrated Management System, which is a total management and systematic approach comprising a consistent set of standards and processes, that are applied uniformly across the Group. The system is being constantly reviewed and amended to suit changing circumstances and new legislation. Continual monitoring and reporting at all levels is carried out together with internal and external audits to ensure full compliance. As a testament of the commitment, the Group continues to be accredited under the relevant international standards; namely: ISO9001:2008, OHSAS18001:2007 and ISO14001:2004.

The persistent drive for excellence in quality, safety and the environment have resulted in the operating companies of the Group winning of the following awards during the year under review:

- CEDD Construction Site Safety Award 2015 (Silver Award) presented by Civil Engineering and Development Department, Hong Kong SAR Government
- CEDD Construction Site Safety Award 2015 (Merit Award for Double Safety Latch Device) presented by Civil Engineering and Development Department, Hong Kong SAR Government
- Innovative Safety Initiative Award 2016 - Health and Welfare Category (Bronze Award) (Self-Fabricated Blowing System) presented by Construction Industry Council
- 2 numbers of Construction Sites Housekeeping Award Scheme 2016 (Meritorious Award) presented by Drainage Services Department, Hong Kong SAR Government
- Innovative Safety Initiative Award 2016 - Safety Management System, Training and Promotion Category (Silver Award) presented by Construction Industry Council
- Considerate Contractors Site Award Scheme - Public Works (New Works) (Merit Award) presented by Development Bureau, Hong Kong SAR Government
- Considerate Contractors Site Award Scheme - Public Works (New Works) (Bronze Award) presented by Development Bureau, Hong Kong SAR Government
- Outstanding Environmental Management & Performance Awards (Silver Award) presented by Development Bureau, Hong Kong SAR Government
- Safety Contractor Award 2016 presented by MTR Corporation Ltd.
- Construction Safety Promotional Campaign 2016 - Best Program to Prevent Heat Stroke at Work (Merit Award) presented by Occupational Safety and Health Council
- Construction Safety Promotional Campaign 2016 - Best Safety Enhancement Program for Working at Height (Gold Award) presented by Occupational Safety and Health Council
- 2 numbers of HKCA Proactive Safety Contractor Award - presented by The Hong Kong Construction Association
- 2 numbers of HKCA Environmental Merit Award presented by The Hong Kong Construction Association
- Commendation Letter presented by Civil Engineering and Development Department, Hong Kong SAR Government

During the year, imbued with strong management commitment and professional expertise, the Group has fulfilled its duties as a responsible corporation. In the years ahead, it will continue to take the lead in motivating all employees and subcontractors to make unremitting efforts to further improve the Group's performance in Quality Assurance, Safety and Health and Environmental Protection.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Bye-laws, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. In addition, shareholders holding not less than one-twentieth of the total voting rights or not less than 100 shareholders may submit a written request to the Company stating the resolution intended to be proceeded at the annual general meeting.

Any vote of shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and the Stock Exchange on the day of the general meeting. Since May 2009, there were no changes to the memorandum of association of the Company and Bye-laws. The updated versions of the memorandum of association of the Company and Bye-laws are available on the websites of the Company and the Stock Exchange.

Detailed procedures for the shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board has established a shareholders' communication policy setting out various channels of communication, with the objective of enabling the shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its shareholders' meeting as an important means of communication with the shareholders in which the shareholders will be able to have an open dialogue with the Board. The Board members, in particular, the chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. External auditor also attends the Company's annual general meetings and addresses queries from the shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

Apart from holding shareholders' meeting, the Company also endeavours to maintain effective communication with all shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the websites of the Company and the Stock Exchange.

Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

INVESTOR RELATIONS

The Company is committed to maintain effective communications with the shareholders and investors. To this end, the Company maintains an open dialogue with the shareholders and investors through the Company's financial reports, press releases and general meetings that may be convened, as well as making available all the disclosures submitted to the Stock Exchange to provide regular and timely public disclosures on the Company's operating performance and corporate developments.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the first Environmental, Social and Governance ("ESG") Report of Build King Holdings Limited. It discloses our performance and initiatives regarding ESG issues and relevant Key Performance Indicators ("KPIs") of different aspects from 1 January to 31 December 2016 can be found on pages 53 and 54.

The Group has diverse business operations in Hong Kong and the Greater China region. Owing to the differences in reporting standards across regions and the fact that our main operation remains in Hong Kong, this report mainly covers the business operations of the Group within Hong Kong.

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") sets out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

FEEDBACK

For further information regarding our company and the ESG report, please refer the hyperlinks below:

Corporate Website:
https://www.buildking.hk

ESG Report:
https://www.buildking.hk/eng/sustainability/corporate-responsibility/esg#esg/corporate-governance-report/1

We value your opinion and feedback on our ESG report, and we would like to hear from you on how we could further improve our performance.

Contact information:

Address: Units 601 - 605A, 6/F., Tower B, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong

Email: info@buildking.hk

Environmental, Social and Governance Report

LETTER TO STAKEHOLDERS

Dear stakeholders,

I sincerely appreciate your continued support for Build King, and would like to take this opportunity to present you with our first ESG report.

At Build King, we realise the projects we do have a long-lasting impact on the everyday lives of people where we operate. We committed to be the leading contractor in quality, safety and environment as well as sustain our growth by fulfilling the social responsibility.

To kick start our sustainability reporting journey in 2016, we took a proactive approach to engage different stakeholder groups aiming to better understand their views about our ESG performances. The exercise helped identify and prioritize the aspects that are material to our business and shape our strategies.

Recognizing the growing need to integrate sustainable thinking into daily business operations, we continue to carefully manage our resources and jointly work to combat environmental pollution and climate change. In 2016, we reviewed and updated our environmental policies to meet operational, contractual and legal changes. We also implemented a series of initiatives to minimize our environmental impact in locations where we have operations. Going forward, we will continue to strive for contributing to the development of more environmental-friendly and sustainable operations.

We rely on our employees to sustain our operational excellence. We believe the importance of human resources and the fact is the demand for professionals has never been higher in our industry. In 2016, we continued to invest in training and development, offering employees diverse training programs targeting specific needs and helping them to reach their full potential. Occupational health and safety is another priority issue for us. While our safety performance in 2016 remains satisfactory by exceeding targets, we are not going to get complacent and will continue to strive for improvements by strengthening safety education and optimizing our safety management system.

Our suppliers and sub-contractors are key partners in achieving both the Group's and our clients' objectives. As we continue on our path of sustainable development, we strive to build a responsible and sustainable supply chain by working with our suppliers and sub-contractors to drive social and environmental change and reduce negative impacts of our procurement and subletting processes.

As one of the leading domestic infrastructure contractors, we have been able to contribute to and witness the remarkable development of Hong Kong. We believe serving the needs of society could help us strike a balance between social responsibility and profitability. This year, we continue to invest our efforts to spread the spirit of 'caring for the community' through our community voluntary works. Looking forward, we will continue to contribute to a more caring Hong Kong community.

Our initiatives cumulatively demonstrate our efforts towards a more sustainable business. As we continue to grow, we will continue on our path to integrate sustainable thinking into our corporate strategy, creating value for all stakeholders and working to better society.

By Order of the Board
CHANG Kam Chuen, Desmond
Executive Director

13 March 2017

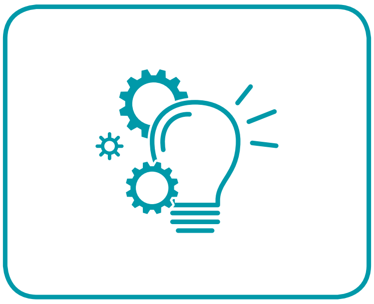
ESG MANAGEMENT APPROACH

Recognizing the worldwide concerns towards sustainable development, our Group is committed to integrating sustainable thinking into every aspects of our business. We believe we can build a better future for our people, environment and community.

Core Values

At Build King, we have three core values, Professionalism, Innovation and Integrity, as the basis of our corporate culture. These values are embedded into every aspect of our business operations. We aim to deliver an integrated range of professional services, cultivate an atmosphere in which innovation and resourcefulness can flourish, and act with the highest levels of integrity so as to fulfill our commitments with honesty and high moral standards.

Professionalism



Innovation

Integrity

ESG Policy

We set clear ESG policies to guide our human resources management, occupational health and safety, environmental management, supply chain management, and many others. With these policies set in our Management Manual, we strive to ensure compliance to all laws and regulations, and to show commitment to our people, environment, community and other stakeholders. We review the policies annually and recommendations are made to the Board of Directors for updates.

Corporate Governance

The Group is committed to maintaining the highest standards of corporate governance and has complied with the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules. The detailed content can be found in the Corporate Governance Report on pages 25 to 37.

Governance Structure

The Board of Directors and Senior Management are responsible for leading and reviewing the Company's policies and overseeing all strategic direction relating to ESG issues with the assistance from other operating departments including Business Department, Human Resources Department, Procurement Department, Safety & Environment Department and Training & Development Department. Delegated Managers are accountable for the actual implementation of the policies and in turn delegate responsibility and authority to subordinates staff according to their function.

Anti-Corruption

At Build King, we take anti-corruption and avoidance of bribery seriously, viewing these issues as long-term challenges to our sustainability. The Group has complied with all relevant laws and regulations regarding anti-corruption and is committed to the utmost professionalism and transparency.

The 'Code of Conduct', along with the 'Whistle-blowing Policy', is in place to ensure all employees adhere to the company policies. We also organize seminars regularly on integrity and corruption prevention for our employees. In 2016, a total of 107 employees have attended these seminars. We believe that these measures have formed a robust system to prevent risks related to corruption across all our operations. During the year under review, no confirmed incident of corruption concerning the Group or its employees was identified.

Stakeholders Engagement

Engaging stakeholders helps us to make better and more informed decisions. We have thus continuously endeavoured to deepen the relationship with our key stakeholders through regular meetings, interviews and events to understand their views and concerns.

In 2016, we appointed an independent third-party to facilitate the stakeholder engagement process and conduct materiality assessment of ESG issues. The purpose is to identify and prioritize the material issues that have significant impacts on our stakeholders and our own business operations.

Materiality Assessment

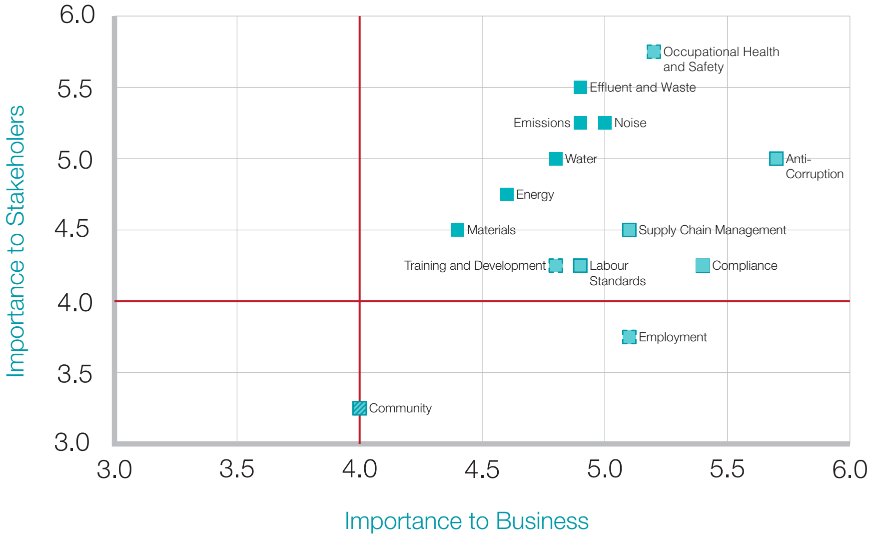
With reference to the ESG Reporting Guide, Global Reporting Initiative ("GRI") G4 Guideline, GRI Construction Sector Supplement as well as the nature of our business, 14 ESG issues were identified for reporting and listed as below.

Section in this report	Material Issues
People	1. Employment 2. Occupational Health and Safety 3. Training and Development 4. Labour Standards
Environment	5. Emissions 6. Energy 7. Noise 8. Effluent and Waste 9. Water 10. Materials
Value Chain	11. Supply Chain Management 12. Anti-Corruption
Community	13. Community
Economic and Compliance	14. Compliance

Subsequently, a diverse group of stakeholders including employees, sub-contractors, investors, academia, professional bodies, consultants and business partners were invited to participate in telephone interviews and/or an online survey to prioritize these 14 ESG issues.

Based on the feedback from stakeholders, a materiality matrix was constructed, indicating the aspects that are material to our stakeholders and our Group's business. This assessment helped to shape the content of this report and the resources we plan to focus on going forward. In this report, we disclose the performance of these material aspects in four main sections including People, Environment, Value Chain and Community.

ESG Issues Materiality Matrix



According to the result of the telephone interviews and online surveys, we understand that it is difficult to satisfy all the expectations from our stakeholders. Notwithstanding, their valuable feedback and suggestions enabled us to formulate a more focused strategies on our performance, which in turn facilitate our sustainability performance.

PROVIDING BETTER PROSPECTS FOR OUR PEOPLE

Employees are our most valuable asset. We strive to create a safe and healthy workplace, providing career prospects, personal development and learning opportunities, attractive incentives, and are committed to retaining our best talent for the sustainable growth of the Group.

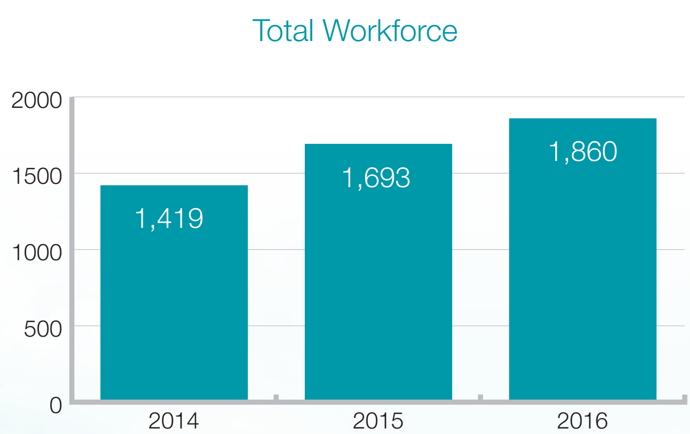
The Group respects the fundamental rights of our employees and is committed to building an equal, diverse and inclusive working environment, providing equal opportunities in all aspects of employment regardless of gender, race, ethnic origin, marital status, education or disabilities. In 2016, there was no known report of any incidence of discrimination by our employees in the Group.

We established the corporate Code of Conduct and guidelines in which all employees are required to strictly follow, ensuring ethical conduct. Our employees receive fair wages and benefits, and work in an environment secured against inequalities, all of which have been documented and communicated to all employees via Employees' Handbooks and controlled by a well-established internal control system.

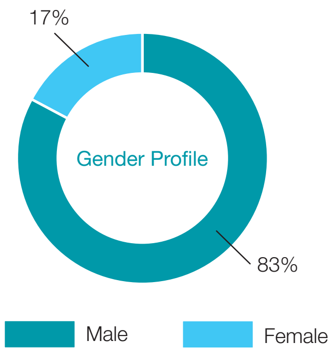
The Group has complied with regional legislative regulations regarding labor standards. We prohibit child, forced or compulsory labor in any of our operations. We extended these requirements to our supply chain to ensure they adhere to all legal standards as well. Self-audit and ad-hoc assessments are conducted regularly to review the employment practices and to detect and rectify any control deficiencies. During 2016, no operation was identified as having significant risk of child or forced labor.

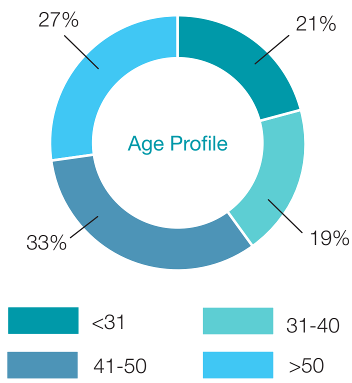
Employee Composition

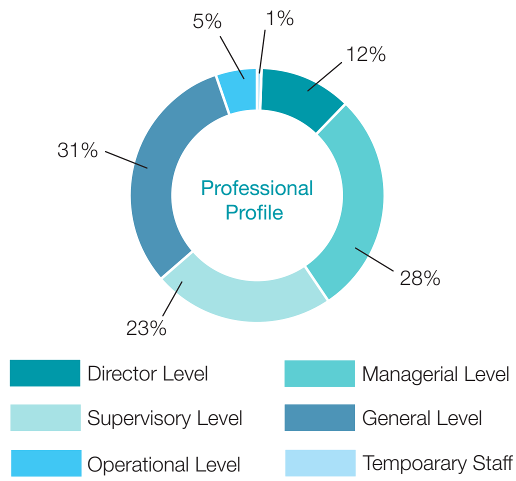
To cope with our business expansion, the total number of employees of Hong Kong Staff has reached 1,860 in 2016, an increase of nearly 10% compared to previous year.



Gender diversity is a particular challenge for the construction industry. In 2016, 17% of our total workforces were female and 83% were male. However, we are committed to removing the barriers between genders by employing more female engineers and workers. The workforce is evenly distributed among the age groups. There are six professional types in our hierarchy while the staff at general and operational levels account for most of the total workforce.

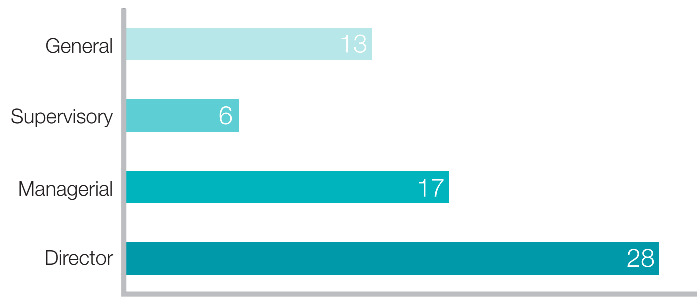






Training and Development

2016 Average Training Hours (by professional profile)



Professionalism is one of the core values of the Group and is also a crucial criterion for the sustainable growth of the company. To attract and retain our employees and achieve sustainable growth of the Group, we endeavor to provide a comprehensive range of training and learning programs for our employees.

As of the end of 2016, there were more than 120 chartered engineers and commercial specialists working under the Group. We are committed to nurturing all levels of employees, by providing them the opportunities and sponsorships to strengthen their knowledge or skills, both job-related and for personal development. In 2016, a total of 12,927 hours, or an average of seven hours per employee, were recorded on training and development activities.

We design and run training programs targeting different levels of employees to best meet their professional and training needs. During 2016, we have arranged 12 different in-house staff training programs with a total of 75 classes. Our diverse training programs include orientation, construction management, technical and supervisory enhancement, performance management and professional skill, etc. We also organize cross-level programs, such as Total Quality Management Training, to establish a corporate culture of striving for quality excellence.

Regular Orientation Programs are arranged to our new comers. In 2016, a two-week Orientation Program which specially designed for our new youth engineers and assistant quantity surveyors providing them with a good understanding of the company operation as well as enhancing their logical thinking, self-understanding and personal development skills.

To equip our managerial staff with the best management skills and leadership capacity for the Group's expansion and growth, we provide different types of management workshops, i.e., Performance Management Workshop and Construction Management Training. This year, we arranged a six-month construction management training program for our managerial staff, with 15 separate courses ranging from legal consultation, leadership innovation, commercial and environmental issues. 29 managerial staff benefited from the training, gaining professional knowledge necessary for their management roles.

Nurturing Our Young Professionals

Young professionals are crucial to the Group as we believe they are the future leaders. We have launched systematic career development programmes tailored for young graduates, including the Technical Apprentice Training Scheme, the Graduate Engineer Training Scheme and the Assistant Quantity Surveyor Professional Training Program.

The Graduate Engineer Training Scheme offers job rotation and project assignments to graduate engineers, encouraging them to pursue study for professional qualifications from the Hong Kong Institution of Engineers. Qualified tutors and supervisors are appointed to provide guidance to the trainees through on-the-job coaching and help prepare them for professional examinations.

In October 2016, we organized a Graduation Dinner for 44 of our employees who have completed the Scheme 'A' Training, Technical Apprentice Training, or acquired relevant certifications, such as The Institution of Civil Engineers and The Royal Institution of Chartered Surveyors.

Inviting different professionals to provide workshops and forums, the Group has always encouraged and assisted our engineers to gain further education and relevant qualifications. We also offer sponsorships for employees attending external courses and training to support their personnel development.

In 2016, we established a Youth Club, a platform which enables our young engineers to share their work life and experience in professional qualifications. We have also arranged and invited outstanding engineers of our company and in the industry and media to have a sharing during the Youth Club forum and seminars.

Occupational Health and Safety

Occupational Health and Safety ("OHS") is always the top priority of our operation. Recognizing the inherent risks in our daily operations, we conduct regular risk assessment so as to provide our employees with a safe and healthy working environment. To achieve continuous improvements of our safety performance, we adopt a risk-based control approach to ensure all working procedures are compliance to laws, regulations and risk assessment. In 2016, the Group recorded an accident frequency rate of 0.21 per 100,000 man-hours worked, against the target rate of 0.25.

With the implementation of our comprehensive Safety Management System ("SMS"), we are committed to achieve the highest practical standard of OHS in collaboration with our employees, clients, sub-contractors and other stakeholders. The Management Safety Committee composed of top management and project-in-charges has been set up to carry out the functions of implementing and reviewing measures of the SMS and related policies. According to the SMS, relevant responsibilities and authorities are allocated from the committees to all staff according to their functions.

Control Mechanisms

The Group has implemented and maintained several safety control mechanisms. The primary aims of these mechanisms are to effectively monitor, prevent, reduce or remove the risks associated with site work employees and sub-contractors.

Cross Site Safety & Environmental Assessment is one of the control systems. Senior S&E Officers ('the Assessors') are responsible for conducting cross-site visits and assessments on a monthly basis, identifying good practices and areas for improvement. Junior Safety and Environmental members are assigned to join the inspection as observer to widen their scope of safety and environmental knowledge. Based on the observations, follow-up actions are taken to raise the SHE standard on sites.

By collecting independent advice from Safety and Environmental (S&E) Officers, the Group is able to improve on-site safety, health and environmental ("SHE") standards and exchanging practical ideas during the assessment, it is expected that the continual improvement of the safety performance of the Group could be achieved.

Environmental, Social and Governance Report

Foster Safety Culture

"I Care" Safety Promotion Campaign

We strive to ensure that employees stay vigilant on OHS by means of comprehensive communication and training. In this regard, we have implemented different strategies to foster a positive safety culture and uplift the awareness of our employees. We do not only deploy resources in regular safety and health promotional activities, but do also develop special in-house safety campaigns and initiatives.

To further raise the safety awareness of all safety personnel in the company, the Group has introduced a safety promotion campaign —'I Care'. Following the kick-off ceremony held during the company's 2016 Annual Dinner in November 2016, the campaign will be fully launched in 2017 with a top-down approach. Different targets have been set for different levels of staff and there is an award scheme in place to encourage and recognize staff with outstanding safety performance. We are expecting a decrease in the accident rate and a positive safety culture in the year ahead.

"Communication without National Boundaries" Training Scheme

With the rapid expansion of the construction industry in recent years, the number of workers from different countries in the industry has increased as well. Difficulties in communication between the front-line workers of different languages and cultural backgrounds were therefore recognized. The "Communication without National Boundaries" training scheme was thus emerged.

This training scheme aims to reduce accidents arising from miscommunication and raise the safety awareness of all frontline workers. Different methods, such as distributing multi-language safety cards, playing games and continuous quizzes and reviews, etc. were being used. Since the launching of this project, the number of near-miss incidents has decreased and the working environment and atmosphere has remarkably improved. The project was awarded the Silver Award in the 2016 Innovative Safety Initiative Award jointly organized by Development Bureau, Construction Industry Council and Hong Kong Construction Association.

BUILDING TOWARDS A BETTER ENVIRONMENT

To eliminate the environmental impacts arising from our operation is one of our long-term goals. The Group is committed to protecting the environment and natural resources. We believe we can contribute to build a sustainable future.

We recognized most of the works we do has potential impacts on our environment and the implementation of mitigation measures to control these impacts are therefore critical to our business. The Group has implemented an Environmental Management System (EMS) in accordance with ISO 14001. The system is reviewed and optimized regularly to ensure that we are on the right track of pursuing best practices to achieve a satisfactory environmental management outcome. We also engage our employees, suppliers & sub-contractors and clients to ensure that they fully grasp our management approach and support our Group in fulfilling the commitments to environmental protection and sustainable development. To build a greener future, we have adopted a number of initiatives in the areas of pollution abatement, green buildings, energy efficiency, carbon reduction as well as sustainable use of resources and waste management.

Pollution Abatement

Owing to the wide variety of our projects, each project is required to develop the project-specific Environmental Management Plan ("EMP"), overseen by the project environmental management team. EMP detailed the mitigation measures to manage and control on-site environmental impacts, including, but not limited to, air quality, noise and water quality impacts.

Air Quality Management

The main impacts on air quality associated with the operation of our projects is the dust nuisance from soil erosion and heavy earth moving works as well as the exhausts from diesel vehicles, and heavy equipment. In 2016, we implemented sufficient dust control measures in accordance with the statutory requirements. In response to the clean air action, we are using clean and sustainable fuel sources such as ultra-low-sulfur diesel and biofuel, switching to electricity instead of fossil fuel, selecting environmental friendly and efficient mechanical equipment certified by Quality Powered Mechanical Equipment ("QPME").

Noise Management

As most of our projects are carried out in urban areas and some are in the close proximity of residential areas and schools, noise nuisance to our community is inevitable. Recognizing the importance of noise mitigation, we strictly follow the requirements under related regulations, striving for best practices to minimize the impact to our neighborhoods. As a first priority, we adopt preventive measures and the quiet engineering method to eliminate noise at the source. To reduce noise levels and avoid disturbing the public, noise-screening features have been installed.

We have also make use of administrative measures. Through regular communications with District Councils, nearby residential representatives, schools and other noise sensitive receivers, it is able to enhance the mutual understanding. During the meetings, we have explained to them our construction methodology and schedule, while they also expressed their concerns and feedback to us. As a result, we rescheduled our construction program and avoid noisy work during sensitive hours.

Effluent and Water Management

The Group seeks to properly manage waste-water and avoid deterioration of water quality. We would make sure that valid licenses are acquired before discharging and the compliance of the terms and condition stipulated in the license. Each project is required to adopt a comprehensive drainage plan to control on-site discharges and provide sufficient waste-water treatment facilities to handle all surface run-off and muddy water generated from construction processes.

We realise the precious of water resources, therefore conserving water and reducing waste-water generation is one of our green initiatives. We encourage the full recycle of water used in piling and tunneling construction works as well as daily washing activities. To explore more alternative water resources, we harvest rainwater through the temporary drainage systems on site and on the roof of our green office. The measures adopted also can serve as a demonstration for environmental education purpose.

Green Buildings

Green buildings are gaining increasing focus in recent years. Government and the private developers actively adopted the green building design. The Group has embraced this growing trend by participating in green building construction projects, with the aim of promoting building energy efficiency, green procurement, practicing low-carbon and environmentally sound construction strategies. In 2016, there were 12 Building Environmental Assessment Method (BEAM Plus) and one Leadership in Energy and Environmental Design (LEED) green building projects being certified or under construction.

Energy Efficiency

In 2016, the Group continued to invest in constructing green offices. The overall vision is to develop working spaces that emphasize environmental-friendly practices and higher energy efficiency. We have implemented a number of environmental initiatives in our head office, including energy-efficient LED lights and EnergyStar certified computers, low-carbon performance multi-functional equipment, etc. These initiatives have contributed to promote the overall energy efficiency at our head office, and thereby reducing our carbon footprint.

Although most of our site offices are having a short life cycle, we believe it is important to design and construct them in line with green strategies to conserve energy and resources. In this regard, we have adopted several initiatives including utilizing natural lighting and ventilation system to reduce energy demand, installing timer control systems to avoid wastage of electricity and investing in solar energy systems for water heating.

Carbon Reduction

The Group aims to reduce its carbon footprint by working together with our clients and partners. In our head office, carbon audits have been conducted since 2012, achieving carbon reductions up to 20% in 2014. A Carbon Reduction Certificate was issued to the Group by the Environmental Campaign Committee under the Hong Kong Green Organization Certification Scheme in recognition of our efforts in reducing our carbon footprint.

In response to the global concern on climate change, we initiated the carbon disclosure of our Group in 2016. In accordance with the Greenhouse Gas Protocol and the guidelines published by the Environmental Protection Department and Electrical and Mechanical Services Department in Hong Kong, we have gone through the processes of detailed identification of the organizational boundary, emission scope and quantification of emissions for the Group. The Group's carbon emissions include direct emissions from fuel and refrigerant and indirect emissions due to purchased electricity consumed, water supply and waste management, etc. In 2016, total carbon emissions were 15,634.87 tonnes. Hence, we have a full picture on the performance of carbon emissions for the entire group and which enables us to formulate our future strategy in managing carbon.

Sustainable Use of Resources and Waste Management

We consume a wide-range of materials in our daily operations. Recognizing our responsibility to conserve natural resources, we have implemented plans to use resources in a wise and sustainable way and reduce the use natural resources. In addition, we are committed to reduce our construction waste as to minimize the potential impacts to our environment. To achieve our set target, we have implemented a rigorous resource and waste management system, with an intensive five-level management hierarchy including Reduce, Reuse, Recycle, Treatment and Disposal.

Resource reduction and preventive of waste generation are of utmost important. From the very beginning of the project cycle, we aim to reduce, reuse and recycle materials where possible. An Integrated Waste Management System, along with project-specific waste management plans, is in place to control the hazardous and non-hazardous waste produced from our construction activities.

The table below demonstrates how we integrate our resource and waste management system into our project life cycle.

Project Cycle	Actions Taken
Design and Planning Stage	• Accurately estimate the construction material need by using software and detailed calculation • Review conforming design provided by clients, seek opportunities for cost saving and alternative design • Identification of alternative disposal ground • Fully utilization of treated contaminated soil and reuse on-site
Construction Stage	• Select reuse or salvaged materials • Utilize surplus materials where possible • Transform excavated rock materials into aggregates • Consider environmentally preferable materials, i.e., sustainable timber certified by FSC or AFPA. • Properly design site layout and logistics plan, identify suitable storage area to avoid systematic disposal • Cross site materials transfer to avoid unnecessary disposal • Properly control and handle all chemical wastes in all stages of storage, collection, transportation and disposal

MANAGING OUR SUPPLY CHAIN

We recognise the management of our suppliers and sub-contractors play an important role in the development and ongoing success of our business. To secure the delivery of excellent projects for our clients, we make our efforts to ensuring our supply chain's responsibility and their high-standard services.

The Group's supply chain network involves 733 suppliers which located in Hong Kong. The way we collaborate with them has a significant impact on our sustainability performance.

In view of this, we introduce our sustainable policy to our suppliers and sub-contractors through the conditions we set out in contract statements and require them to strictly follow the guidelines. Sub-contractors and suppliers are evaluated every six-months and will be disqualified and removed from the selection list if any non-compliance is observed.

Selection Criteria

Our goal is to build a responsible and sustainable supply chain and in turn reduce risks for the Group and our clients. We set clear company procedures and standing instructions in selecting our suppliers and sub-contractors. Prior to any procurement and subletting, performance assessments are conducted on potential suppliers and subcontractors on a competitive basis. The assessment criteria include assurance of stable supply, quality and cost, etc. We also select and work with who meet high standards in areas such as ethical conduct, human rights, health and safety standards and environmental management.

Management Approach

To cope with the uniqueness of different projects, each project is required to develop a project-based Sub-contractor Management Plan to detail the measures and strategies in managing our sub-contractors.

We make sure that our suppliers and sub-contractors have sufficient knowledge of our core values and comply with our ESG governance policies as well as relevant requirement i.e. ISO 9001:2008 Quality Management System. We provide technical assistance and supervision to suppliers for quality assurance and educate them with anti-corruption terms. Meanwhile, we encourage feedback from our suppliers and sub-contractors, which may help us in understanding their needs and facilitate us in formulating the future policy.

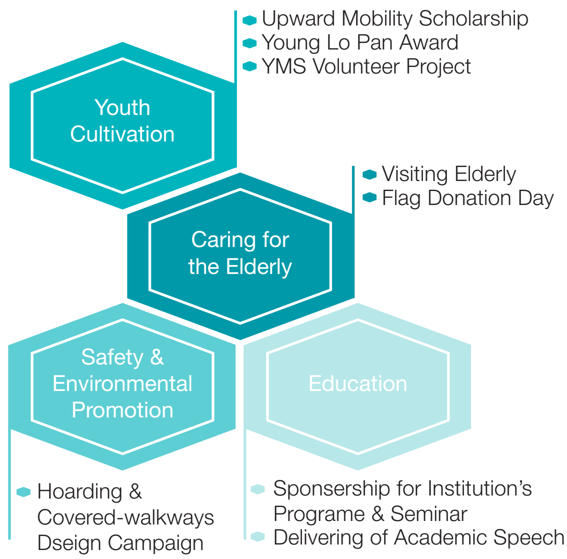
CARING FOR OUR COMMUNITY

We believe mixing business and ethics towards sustainability will help us to achieve balance between social responsibility and corporate profitability. With a strong sense of reciprocating to the community, we consider it is our responsibility to serve the society.

Corporate Social Responsibility Policy

Our long-term success is built upon commitment with integrity and responsibility towards our stakeholders and the local communities. Witnessing and actively involved in the infrastructure development of Hong Kong, we are committed to ensuring that our business is conducted according to rigorous ethical and legal standards. We have been continuously investing our best efforts to promote long term community voluntary works to spread the spirit of 'caring for the community' among staff families, and to promote the positive value of self-commitment, building towards a harmonious community.

We strive to be a good corporate citizen where we operate, by means of working in partnership with local communities and contributing resources to charity works and educational opportunities. We mainly contributed in four areas including Youth Cultivation, Education, Caring for the Elderly and Safety & Environmental Promotion.



Youth Cultivation

HKCA Young Members Society (YMS) Scheme – YMS Volunteer Project

To nurture the future leaders in the construction industry, the YMS would organise a world-wide study tours annually. In 2016, YMS had organized a volunteer project to Inner Mongolia and Shanxi for a group of university students, lead by the volunteer from our company.

Through visiting the local government officials and universities, the participants have enhanced their knowledge on the development of civil engineering in China. They had also practice their engineering skills through the greenhouse construction project for a local kindergarten.

Young Lo Pan Award

We nurture our young engineers to be the future leader in construction industry. In 2016, our young engineer has been recognized in Young Lo Pan Award to appreciate their talents and outstanding performance dedication in the construction industry.

Upward Mobility Scholarship

To help youths from less privileged families develop their full potential without being constrained by their present socio-economic status, we sponsored this Scholarship to improve their learning environment and provide them with better learning opportunities.

Caring for the Elderly

Visiting Eldering at Po Leung Kuk Elderly Centre

Caring for the elderly, especially those with the mental and health problem ones, has become an increasingly concerned issue in Hong Kong. To build a warm environment and to provide assistances to the elderly in need, we have established a long-term partnership with Po Leung Kuk Elderly Centre.

Our volunteers would visit the Elderly Centre to understand their needs and offer assistance when necessary. The volunteers would also send gifts, prepare delicious food and organizing a wide range of activities, e.g. Christmas Party, to deliver our regards to the elderly.

Flag Donation Day

In 2016, we supported the Flag Day of Po Leung Kuk to assist in raising funds for the elderly, disabled and low-income families. Donation boxes have been placed in our head offices and site offices to raise funds from our employees.

Safety & Environmental Promotion

Hoardings and Covered-Walkways Design Campaign

As a leading construction company, we recognize our responsibility in enhancing the safety and environmental awareness among the public. To achieve this vision, we organized a hoarding and covered-walkways design campaign in 2016. Secondary school students nearby were invited to participate in the campaign. The winning art works were displayed at the hoardings and covered-walkways around our site. This event was considered very successful and has created opportunities for students to enhance their awareness of safety and environmental protection.

PERFORMANCE DATA SUMMARY 2016

Environment	**Environment**	
	Total Resources Consumption	
	Electricity (kWh)	9,580,797.36
	Petrol (litres)	361,817.04
	Diesel (litres)	3,172,399.21
	Water (m^3)	601,029.28
	Greenhouse Gases Emissions	
	Total emissions (tCO_2e)	15,634.87
	Scope I (tCO_2e)	10,034.35
	Scope II (tCO_2e)	5,600.52
	Waste	
	Hazardous waste (tonnes)	6,275.03
	Non-hazardous waste (tonnes)	51,189.03
	Paper	
	Paper Consumption (tonnes)	56.84
	Paper Recycled (tonnes)	5.30

Social	**Employment**	
	Total Workforce	
	by Age	
	<31	389
	31-40	354
	41-50	605
	>50	512
	by Gender	
	Female	315
	Male	1,545
	by Professional Profile	
	Director	12
	Managerial	217
	Supervisory	531
	General	424
	Operational	589
	Temporary	87
	Employee Turnover	
	by Age	
	<31	153
	31-40	64
	41-50	50
	>50	97

Social	***Occupational Health and Safety***	
	Work-related injuries	28
	Work-related fatalities	0
	Accident Frequency Rate (per 100,000 man-hours)	0.21
	Accident Frequency Rate (per 1,000 workers)	4.67
	Training and Development	
	Average Training Hours	7
	Percentage of Employees Trained	
	by Gender	
	Female	36%
	Male	39%
	by Professional Profile	
	Director	100%
	Managerial	81%
	Supervisory	50%
	General	60%
	Operational	2%
	Temporary	14%

HKEX ESG CONTENT INDEX

KPIs	ESG Reporting Guide Requirements	Section and Remarks
A. Environmental		
Aspect A1	**Emissions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment
KPI A1.1	The types of emissions and respective emissions data.	Environment – Pollution Abatement
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity	Performance Data Summary 2016
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Performance Data Summary 2016
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	Performance Data Summary 2016
KPI A1.5	Description of measures to mitigate emissions and results achieved	Environment – Carbon Reduction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environment – Sustainable Use of Resources and Waste Management
Aspect A2	**Use of resources**	
General disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Environment – Energy Efficiency
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Performance Data Summary 2016
KPI A2.2	Water consumption in total and intensity	Performance Data Summary 2016
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environment – Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environment – Effluent and Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable

KPIs	ESG Reporting Guide Requirements	Section and Remarks
Aspect A3	**The environment and natural resources**	
General disclosure	Policies on minimizing the issuers' significant impact on the environment and natural resources.	Environment - Sustainable Use of Resources and Waste Management
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment - Sustainable Use of Resources and Waste Management
B. Social		
Aspect B1	**Employment and Labor Practices**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Performance Data Summary 2016
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary 2016
Aspect B2	**Health and safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People – Occupational Health & Safety
KPI B2.1	Number and rate of work-related fatalities.	Performance Data Summary 2016
KPI B2.2	Lost days due to work injury.	Performance Data Summary 2016
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	People – Occupational Health & Safety

KPIs	ESG Reporting Guide Requirements	Section and Remarks
Aspect B3	**Development and training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People – Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category.	Performance Data Summary 2016
KPI B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary 2016
Aspect B4	**Labour standards**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	People
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	People
Aspect B5	**Supply chain management.**	
General disclosure	Policies on managing environmental and social risks of the supply chain.	Value Chain - Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Value Chain - Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Value Chain - Supply Chain Management

KPIs	ESG Reporting Guide Requirements	Section and Remarks
Aspect B6	**Product responsibility**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	ESG Management Approach and Supply Chain Management
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Not Applicable
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not Applicable
KPI B6.4	Description of quality assurance process and recall procedures.	Not Applicable
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Not Applicable
Aspect B7	**Anti-Corruption**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	ESG Management Approach-Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	ESG Management Approach-Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	ESG Management Approach-Anti-corruption
Aspect B8	**Community investment**	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community – Corporate Social Responsibility Policy
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Not Applicable

Deloitte. 德勤

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Build King Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 65 to 130, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and amounts due from (to) customers for contract work	
We identified the recognition of revenue and costs from construction contracts and amounts due from (to) customers for contract work as a key audit matter because the Group recognised revenue from construction contracts using the percentage of completion method, measured by reference to the value of work performed during the year and the estimated total contract value including variations in contract work, claims and incentive payments which involve the management's best estimates and judgments, as disclosed in note 4 to the consolidated financial statements. The management estimated the construction costs which mainly comprise sub-contracting charges and costs of materials based on the quotations from time to time provided by the major contractors/suppliers/vendors and the experience of the management.	Our procedures in relation to the construction revenue and costs recognised and amounts due from (to) customers for contract work included: • Agreeing the budget construction revenue to the construction contracts and variation orders, if any, and architect's instructions or other form of agreements or other correspondences, and discussing with the project managers to evaluate the reasonableness of their estimated total budget contract revenue based on the size and complexity of the construction contracts, on a sample basis; • Discussing with the project managers of the Group to evaluate the reasonableness of their estimated construction costs, taking into account the profit margin of similar projects, the duration and the complexity of the projects etc; • Discussing with the project managers to understand the status of completion of the relevant construction projects and the reasons for the change of budget contract value and contract costs during the year;

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts and amounts due from (to) customers for contract work (Continued)	
	• Verifying the reasonableness of estimated total costs by matching against the latest costs quotations provided by the major contractors/suppliers/vendors on a sample basis; and • Verifying whether value of work has been reasonably recognised as contract revenue, by performing the following procedures on a sample basis: (1) Checking to the latest certificate issued by the independent surveyors ("Surveyors") before year end date for the verification of the value of work already performed during the year; (2) Checking to the Group's internal construction progress report and other supporting documents for those work already performed but not yet certified by the Surveyors before year end; (3) Checking to the certificates issued by the Surveyors subsequent to year end date, to verify the uncertified work before year end has been subsequently certified by the Surveyors; • Checking calculation of stage of completion, on a sample basis and performing comparisons between the percentage of completion and the percentage of progress billing on selected contracts to identify and investigate any significant differences.

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables and retention receivables	
We identified the recoverability of trade receivables and retention receivables as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole, and there is a risk that the amount recorded is not fully recoverable. As disclosed in note 23 to the consolidated financial statements, trade receivables and retention receivables of the Group carried at HK$829,857,000 and HK$331,752,000, respectively, which represents 27% and 11% of the Group's total assets, respectively. The Group may be exposed to risk of default in respect of trade receivables and retention receivables for the construction projects with disputes with customers or unforeseen delay.	Our procedures in relation to the recoverability of trade receivables and retention receivables included: • Obtaining the aging and breakdown of trade receivables and retention receivables, assessing their history of repayment and focusing on long-aged debts for which no provision had been made; • Evaluating the credit control policy of the Group and assessing management's judgement on provision of long-aged balances; • Discussing with the project managers for their evaluation of the impact of disputes with customers and unforeseen delay of construction projects, if any, on the recoverability of trade receivables and retention receivables and checking to relevant correspondences and documents to assess the reasonableness of project managers' evaluation.

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED (Continued)

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

TO THE SHAREHOLDERS OF BUILD KING HOLDINGS LIMITED (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lam Chi Hong.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue	5	**4,871,491**	4,571,629
Cost of sales		**(4,499,403)**	(4,295,306)
Gross profit		**372,088**	276,323
Investments and other income	7	**9,971**	8,867
(Decrease) increase in fair value of held-for-trading investments		**(1,829)**	807
Administrative expenses		**(196,377)**	(180,656)
Finance costs	8	**(13,857)**	(8,635)
Share of results of joint ventures		**7,512**	—
Share of results of associates		**569**	360
Profit before tax	9	**178,077**	97,066
Income tax expense	12	**(28,531)**	(2,884)
Profit for the year		**149,546**	94,182
Profit for the year attributable to:			
Owners of the Company		**150,506**	94,307
Non-controlling interests		**(960)**	(125)
		149,546	94,182
		HK cents	HK cents
Earnings per share	14		
– Basic		**12.1**	7.6

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**149,546**	94,182
Other comprehensive expense		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(6,632)**	(6,319)
Total comprehensive income for the year	**142,914**	87,863
Total comprehensive income attributable to:		
Owners of the Company	**144,089**	88,207
Non-controlling interests	**(1,175)**	(344)
	142,914	87,863

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	15	**365,251**	174,252
Intangible assets	16	**62,012**	65,143
Goodwill	17	**30,554**	30,554
Interests in joint ventures	19	**58,518**	—
Available-for-sale investment	20	**—**	—
Other financial asset	21	**41,128**	44,624
Other receivable	23	**—**	23,522
		557,463	338,095
Current assets			
Amounts due from customers for contract work	22	**324,351**	485,303
Debtors, deposits and prepayments	23	**1,287,743**	928,667
Amounts due from associates	24	**7,528**	7,606
Amount due from a joint venture	24	**321**	321
Amounts due from other partners of joint operations	24	**39,643**	24,366
Held-for-trading investments	25	**24,782**	26,611
Tax recoverable		**13,395**	2,682
Pledged bank deposits	26	**101**	80
Bank balances and cash	26	**826,230**	800,834
		2,524,094	2,276,470
Current liabilities			
Amounts due to customers for contract work	22	**637,795**	664,790
Creditors and accrued charges	27	**1,371,250**	1,239,549
Amount due to an intermediate holding company	28	**13,434**	11,400
Amounts due to fellow subsidiaries	28	**4,315**	5,506
Amount due to a joint venture	28	**1,142**	1,142
Amounts due to other partners of joint operations	28	**70,795**	12,119
Amounts due to non-controlling interests	28	**3,094**	3,094
Amount due to an associate	29	**15,475**	14,369
Tax payable		**20,894**	3,008
Bank loans - due within one year	30	**242,761**	96,540
		2,380,955	2,051,517
Net current assets		**143,139**	224,953
Total assets less current liabilities		**700,602**	563,048

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Capital and reserves			
Ordinary share capital	31	**124,188**	124,188
Reserves		**422,893**	297,432
Equity attributable to owners of the Company		**547,081**	421,620
Non-controlling interests		**(251)**	724
Total equity		**546,830**	422,344
Non-current liabilities			
Deferred tax liabilities	33	**5,750**	5,750
Obligations in excess of interests in associates	34	**15,604**	16,173
Amount due to an associate	29	**4,238**	4,807
Bonds	35	**128,180**	113,974
		153,772	140,704
		700,602	563,048

The consolidated financial statements on pages 65 to 130 were approved and authorised for issue by the Board of Directors on 13 March 2017 and are signed on its behalf by:

Zen Wei Peu, Derek
Chairman

Chang Kam Chuen, Desmond
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Ordinary share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Other reserve HK$'000 (Note a)	Special reserve HK$'000 (Note b)	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	124,188	14,186	14,347	(943)	(63,141)	4,290	252,904	345,831	1,068	346,899
Profit for the year	–	–	–	–	–	–	94,307	94,307	(125)	94,182
Exchange differences arising on translation of foreign operations	–	–	(6,100)	–	–	–	–	(6,100)	(219)	(6,319)
Total comprehensive (expense) income for the year	–	–	(6,100)	–	–	–	94,307	88,207	(344)	87,863
Dividend paid	–	–	–	–	–	–	(12,418)	(12,418)	–	(12,418)
At 31 December 2015	**124,188**	**14,186**	**8,247**	**(943)**	**(63,141)**	**4,290**	**334,793**	**421,620**	**724**	**422,344**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**150,506**	**150,506**	**(960)**	**149,546**
Exchange differences arising on translation of foreign operations	**–**	**–**	**(6,417)**	**–**	**–**	**–**	**–**	**(6,417)**	**(215)**	**(6,632)**
Total comprehensive (expense) income for the year	**–**	**–**	**(6,417)**	**–**	**–**	**–**	**150,506**	**144,089**	**(1,175)**	**142,914**
Disposal of partial interest in a subsidiary without losing control (note 45)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**200**	**200**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**(18,628)**	**(18,628)**	**–**	**(18,628)**
At 31 December 2016	**124,188**	**14,186**	**1,830**	**(943)**	**(63,141)**	**4,290**	**466,671**	**547,081**	**(251)**	**546,830**

Notes:

a. The other reserve represents the excess of the consideration paid over the additional interests in net assets of respective acquired subsidiaries.

b. The special reserve represents adjustment in share capital on the reverse acquisition of the Company in 2004.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Operating activities		
Profit before tax	**178,077**	97,066
Adjustments for:		
Finance costs	**13,857**	8,635
Amortisation of intangible assets	**1,352**	1,431
Depreciation of property, plant and equipment	**26,125**	22,275
Share of results of joint ventures	**(7,512)**	—
Share of results of associates	**(569)**	(360)
Gain on disposal of property, plant and equipment	**(360)**	(321)
Decrease (increase) in fair value of held-for-trading investments	**1,829**	(807)
Dividends from held-for-trading investments	**(1,634)**	(2,247)
Interest on bank deposits	**(226)**	(426)
Interest on other receivable	**(1,128)**	—
Interest on other financial asset	**(1,111)**	(1,223)
Gain on bargain purchase arising from acquisitions	**—**	(233)
Operating cash flows before movements in working capital	**208,700**	123,790
Decrease in other financial asset	**3,496**	4,797
Decrease in amounts due from customers for contract work	**174,412**	23,712
Increase in debtors, deposits and prepayments	**(336,311)**	(88,669)
Decrease in amounts due to customers for contract work	**(26,995)**	(42,441)
Increase in creditors and accrued charges	**131,701**	389,576
Cash generated from operations	**155,003**	410,765
Interest on other financial asset	**1,111**	1,223
Interest on bank deposits received	**561**	849
Income taxes paid	**(21,358)**	(4,108)
Net cash from operating activities	**135,317**	408,729

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Investing activities			
Repayments from (advances to) associates		**78**	(16)
Dividends from held-for-trading investments		**1,634**	2,247
Interest on other receivable received		**589**	—
Purchases of property, plant and equipment		**(232,132)**	(102,508)
Repayments from (advances to) other partners of joint operations		**43,399**	(13,690)
Advance to an other debtor		**—**	(23,522)
Placement of pledged bank deposits		**(21)**	(20)
Proceeds from disposal of property, plant and equipment		**1,549**	1,424
Acquisition of interests in joint ventures	19	**(51,006)**	—
Net cash inflow arising on acquisition of subsidiaries	44	**—**	18,038
Net cash used in investing activities		**(235,910)**	(118,047)
Financing activities			
New banks loans raised		**179,338**	63,100
Repayment of bank loans		**(33,117)**	(62,318)
Interest paid		**(12,834)**	(7,835)
(Repayments to) advances from fellow subsidiaries		**(1,191)**	7,142
Advances from an intermediate holding company		**2,034**	2,158
Bonds raised, net		**13,720**	113,680
Dividend paid		**(18,628)**	(12,418)
Proceeds from disposal of partial interest in a subsidiary without losing control	45	**200**	—
Net cash from financing activities		**129,522**	103,509
Net increase in cash and cash equivalents		**28,929**	394,191
Cash and cash equivalents at beginning of the year		**800,834**	410,873
Effect of foreign exchange rate changes, net		**(3,533)**	(4,230)
Cash and cash equivalents at end of the year		**826,230**	800,834
Represented by:			
Bank balances and cash		**826,230**	800,834

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Top Horizon Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. The directors of the Company consider Wai Kee Holdings Limited ("Wai Kee"), also incorporated in Bermuda as an exempted company with limited liability and its shares being listed on the Stock Exchange, as the Company's ultimate holding company. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and joint ventures are set out in notes 47, 34 and 19 respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle

The application of the above amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for accounting periods beginning on or after 1 January 2017.
2 Effective for accounting periods beginning on or after 1 January 2018.
3 Effective for accounting periods beginning on or after 1 January 2019.
4 Effective for accounting periods beginning on or after a date to be determined.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The management of the Group anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, the management of the Group do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating/financing cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related financial lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$59,615,000 as disclosed in note 41. The management of the Group anticipates that the application of HKFRS 16 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group performs a detailed review.

Except as described above, the management anticipates that the application of the above new and amendments to HKFRSs will have no material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity components, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Derecognition and Measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Construction contract

When the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the value of work performed during the year. Variations in contract work, claims, and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Others

Service income, including that from operating service provided under service concession arrangements, is recognised when services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Plant under construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Plant under construction are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than plant under construction less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

Where the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised in profit or loss by reference to the stage of completion of the contract activity at the end of the reporting period as measured by the proportion that the value of work performed to date to the estimated total contract value. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipts is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts in progress at the end of the reporting period are recorded in the consolidated statement of financial position at the net amount of costs incurred to date plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as "Amounts due from customers for contract work" or "Amounts due to customers for contract work", as appropriate. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, under "Creditors and accrued charges". Amounts billed, but not yet paid by the customers, for work performed on contracts are included in the consolidated statement of financial position under "Debtors, deposits and prepayments".

Service concession arrangements

A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain infrastructure assets. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls significant residual interest in the assets at the end of the term of the arrangement.

The Group, as an operator, recognises a financial asset if it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction services. The Group measures the financial asset at fair value on its initial recognition. At the end of each reporting period subsequent to initial recognition, the financial asset is carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on financial assets below).

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition (see accounting policy on intangible assets below).

The Group recognises and measures revenue for the services in relation to the operation of the plant under a service concession arrangement in accordance with HKAS 11 "Construction Contracts" and HKAS 18 "Revenue".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, interests in joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair values at the acquisition date (which is regarded at their cost).

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Service concession arrangements

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost (which equals to fair value at initial recognition) less accumulated amortisation and any accumulated impairment losses. Amortisation commences when the intangible asset is available for use.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a post event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the account of the obligation.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss are the financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss exclude any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other financial asset, other receivable, debtors, amounts due from associates, a joint venture and other partners of joint operations, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Impairment loss on financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as debtors, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investment, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities.

Financial liabilities

Financial liabilities (including creditors and accrued charges, amounts due to an intermediate holding company, fellow subsidiaries, an associate, a joint venture, other partners of joint operations and non-controlling interests, bank loans and bonds) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of intangible assets with indefinite useful lives arising from acquisition of a subsidiary

Determining the recoverable amounts of the intangible assets (i.e. construction licenses with indefinite useful lives) arising from the acquisition of a subsidiary, which are included in the consolidated statement of financial position at 31 December 2016 at HK$32,858,000 (2015: HK$32,858,000), requires an estimation of the revenues to be generated in future periods from the acquired construction licenses. The construction projects continue to progress in a satisfactory manner, and the new projects successfully secured by the Group have reconfirmed management's previous estimates of anticipated revenues generated from the acquired construction licenses. However, increased market competition has caused the management to reconsider its assumptions regarding future market share and anticipated margins on these construction projects. Detailed sensitivity analysis has been carried out and the management is confident that the carrying amount of the intangible assets will be recovered in full, even if returns are reduced. This situation will be closely monitored and adjustments will be made in future periods if future market activity indicates such adjustments are appropriate.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair values less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate is applied in order to calculate the present value. As at 31 December 2016, the carrying amount of goodwill is HK$30,554,000 (2015: HK$30,554,000). Details of the recoverable amount calculation are disclosed in note 18.

Income taxes

As at 31 December 2016, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of HK$58,713,000 (2015: HK$91,210,000) due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profit or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal or further recognition takes place.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Construction contracts

The Group recognised profits and losses from construction contracts, which were derived from the latest available budgets of the construction contracts based on the overall performance of each construction contract and the management's best estimates and judgments. Estimated construction income is determined in accordance with the terms set out in the relevant contracts. Estimated construction costs which mainly comprise sub-contracting charges and costs of materials are proposed by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction income and costs.

The Group's estimated profits from construction contracts of its joint ventures were principally derived from the construction contracts carried out by the joint ventures. These figures were derived from the latest available budgets of the construction contracts which were prepared by the management of the respective joint ventures and the Group, and were based on the overall performance of each construction contract.

5. REVENUE

Revenue represents mainly the revenue on construction contracts recognised during the year.

6. SEGMENTAL INFORMATION

The Group is mainly engaged in civil engineering work. Information reported to the Group's chief operating decision maker (i.e. the executive directors) for the purposes of resource allocation and assessment of performance is focused on geographical location of its customers including Hong Kong, the People's Republic of China (the "PRC") and the Middle East. The Group's operating and reportable segments are as follows:

Year ended 31 December 2016

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Results				
Segment revenue	4,851,588	19,903	–	4,871,491
Segment profit (loss)	179,391	9,956	(1,260)	188,087
Unallocated expenses				(4,039)
Investments income				1,634
Decrease in fair value of held-for-trading investments				(1,829)
Share of results of joint ventures				7,512
Share of results of associates				569
Finance costs				(13,857)
Profit before tax				178,077

6. SEGMENTAL INFORMATION (Continued)

Year ended 31 December 2015

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Results				
Segment revenue	4,549,358	22,271	—	4,571,629
Segment profit (loss)	97,797	9,585	(2,193)	105,189
Unallocated expenses				(2,902)
Investments income				2,247
Increase in fair value of held-for-trading investments				807
Share of results of associates				360
Finance costs				(8,635)
Profit before tax				97,066

There are no inter-segment sales for both years.

All of the segment revenue reported above is from external customers.

Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of dividends from held-for-trading investments, change in fair value of held-for-trading investments, share of results of joint ventures and associates, finance costs and unallocated expenses.

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2016

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Assets				
Segment assets	1,963,286	115,077	47,992	2,126,355
Interests in joint ventures				58,518
Unallocated assets				896,684
Total consolidated assets				3,081,557
Liabilities				
Segment liabilities	2,114,803	2,516	1,705	2,119,024
Obligations in excess of interests in associates				15,604
Unallocated liabilities				400,099
Total consolidated liabilities				2,534,727

For the year ended 31 December 2016

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (Note)	232,132	–	–	232,132
Amortisation of intangible assets	–	1,352	–	1,352
Depreciation of property, plant and equipment	26,038	87	–	26,125
Gain on disposal of property, plant and equipment	360	–	–	360
Interest income on bank deposits and other financial asset	170	2,295	–	2,465

Note: Non-current assets included all non-current assets except intangible assets, goodwill, interests in joint ventures, available-for-sale investment, other financial asset and other receivable.

6. SEGMENTAL INFORMATION (Continued)

At 31 December 2015

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Assets				
Segment assets	1,581,236	123,169	47,973	1,752,378
Unallocated assets				862,187
Total consolidated assets				2,614,565
Liabilities				
Segment liabilities	1,952,063	491	1,708	1,954,262
Obligations in excess of interests in associates				16,173
Unallocated liabilities				221,786
Total consolidated liabilities				2,192,221

For the year ended 31 December 2015

	Hong Kong HK$'000	The PRC HK$'000	Middle East HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (Note)	102,492	16	—	102,508
Amortisation of intangible assets	—	1,431	—	1,431
Depreciation of property, plant and equipment	22,173	88	14	22,275
Gain on disposal of property, plant and equipment	321	—	—	321
Interest income on bank deposits and other financial asset	299	1,350	—	1,649

Note: Non-current assets included all non-current assets except intangible assets, goodwill, interests in joint ventures, available-for-sale investment, other financial asset and other receivable.

6. SEGMENTAL INFORMATION (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than goodwill, interests in joint ventures, available-for-sale investment, held-for-trading investments, certain deposits and prepayments, pledged bank deposits, and bank balances and cash; and
- all liabilities are allocated to reportable segments other than certain creditors and accrued charges, tax payable, bank loans, deferred tax liabilities, obligations in excess of interests in associates, bonds and certain corporate liabilities.

The Group's non-current assets by geographical location of the assets are detailed below:

	Non-current assets	
	2016	2015
	HK$'000	HK$'000
Hong Kong	**437,346**	236,224
The PRC	**77,970**	32,706
Middle East	**1,019**	1,019
	516,335	269,949

Note: Non-current assets included all non-current assets except available-for-sale investment, other financial asset and other receivable.

Revenue from customers of the corresponding years contributing over 10% of the Group's revenue are as follows:

	2016	2015
	HK$'000	HK$'000
Customer A[1]	**2,147,184**	2,620,645
Customer B[1]	**1,706,405**	1,316,847

[1] Revenue from customers located in Hong Kong.

7. INVESTMENTS AND OTHER INCOME

	2016 **HK$'000**	2015 HK$'000
Investments and other income include:		
Dividends from held-for-trading investments	**1,634**	2,247
Gain on disposal of property, plant and equipment	**360**	321
Interest on bank deposits	**226**	426
Interest on other receivable	**1,128**	—
Interest on other financial asset	**1,111**	1,223
PRC Value-Added Tax refund	**1,873**	—
Government subsidy	**188**	3,045
Gains on acquisitions of subsidiaries	**—**	233

8. FINANCE COSTS

	2016 **HK$'000**	2015 HK$'000
Interest on:		
Bank borrowings	**4,327**	2,689
Bonds	**8,993**	5,440
Imputed interest expense on non-current interest-free amount due to an associate	**537**	506
	13,857	8,635

9. PROFIT BEFORE TAX

	2016	2015
	HK$'000	HK$'000
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration		
Current year	**1,813**	1,813
Underprovision in prior years	**412**	308
	2,225	2,121
Depreciation of property, plant and equipment	**39,920**	39,617
Less: amount attributable to construction contracts	**(13,795)**	(17,342)
	26,125	22,275
Hire charges for plant and machinery	**164,409**	153,361
Less: amount attributable to construction contracts	**(164,409)**	(153,361)
	–	–
Amortisation of intangible assets	**1,352**	1,431
Net foreign exchange losses	**660**	756
Operating lease rentals in respect of land and buildings	**24,746**	20,576
Less: amount attributable to construction contracts	**(13,741)**	(11,679)
	11,005	8,897
Staff costs:		
Directors' remuneration (note 10)	**8,597**	8,193
Other staff costs	**772,272**	672,239
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration and net of forfeited contributions of HK$892,000 (2015: HK$203,000)	**25,404**	22,694
	806,273	703,126
Less: amount attributable to construction contracts	**(675,694)**	(579,390)
	130,579	123,736

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to each of the eight (2015: nine) directors were as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 December 2016				
Executive Directors				
Zen Wei Peu, Derek	–	4,563	18	4,581
Chang Kam Chuen, Desmond	–	2,791	217	3,008
Non-Executive Directors				
David Howard Gem	168	–	–	168
Cheng Chi Pang, Leslie	168	–	–	168
Chan Chi Hung, Anthony	168	–	–	168
Independent Non-executive Directors				
Chow Ming Kuen, Joseph	168	–	–	168
Ho Tai Wai, David	168	–	–	168
Ling Lee Ching Man, Eleanor	168	–	–	168
	1,008	7,354	235	8,597

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 December 2015				
Executive Directors				
Zen Wei Peu, Derek	—	4,509	18	4,527
Chang Kam Chuen, Desmond	—	2,338	208	2,546
Non-Executive Directors				
David Howard Gem	168	—	—	168
Cheng Chi Pang, Leslie	168	—	—	168
Chan Chi Hung, Anthony	168	—	—	168
Independent Non-executive Directors				
Chow Ming Kuen, Joseph	168	—	—	168
Ng Chi Ming, James (note)	168	—	—	168
Ho Tai Wai, David	168	—	—	168
Ling Lee Ching Man, Eleanor	112	—	—	112
	1,120	6,847	226	8,193

Note: Ng Chi Ming, James was retired on 15 May 2015.

Mr. Zen is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

11. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included one (2015: one) director, details of whose emoluments are set out in note 10 above. The emoluments of the remaining four (2015: four) highest paid individuals were as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and other benefits	**12,363**	10,472
Retirement benefits scheme contributions	**792**	749
	13,155	11,221

Their emoluments were within the following bands:

	Number of employees	
	2016	2015
HK$2,500,001 to HK$3,000,000	**–**	3
HK$3,000,001 to HK$3,500,000	**3**	1
HK$3,500,001 to HK$4,000,000	**1**	–

12. INCOME TAX EXPENSE

	2016	2015
	HK$'000	HK$'000
Current tax:		
Hong Kong	**23,508**	–
Other jurisdictions	**1,644**	1,958
	25,152	1,958
Underprovision in prior years:		
Hong Kong	**1,965**	883
Other jurisdictions	**1,414**	43
	3,379	926
	28,531	2,884

Hong Kong Profits Tax is provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits.

No provision for Hong Kong Profits Tax for the year ended 31 December 2015 had been made in the consolidated financial statements as the estimated assessable profits had been wholly absorbed by tax losses brought forward.

Taxation arising in other jurisdictions are calculated at the rates prevailing in the relevant jurisdictions.

12. INCOME TAX EXPENSE (Continued)

Income tax expense for the year can be reconciled to the profit before tax as follows:

	2016 **HK$'000**	2015 HK$'000
Profit before tax	**178,077**	97,066
Taxation at the applicable rate of 16.5% (2015: 16.5%)	**29,383**	16,016
Tax effect of share of results of joint ventures	**(1,239)**	—
Tax effect of share of results of associates	**(94)**	(59)
Tax effect of expenses that are not deductible in determining taxable profit	**6,273**	5,777
Tax effect of income that is not taxable in determining taxable profit	**(3,814)**	(9,643)
Underprovision in prior years	**3,379**	926
Tax effect of unrecognised tax losses	**32,039**	35,987
Tax effect of utilisation of tax losses previously not recognised	**(37,401)**	(46,830)
Tax effect on concessionary rate	**634**	753
Others	**(629)**	(43)
Income tax expense for the year	**28,531**	2,884

13. DIVIDEND

A final dividend for the year ended 31 December 2016 of HK2.5 cents (2015: HK1.5 cents) per ordinary share, totaling approximately HK$31,047,000 based on 1,241,877,992 ordinary shares (2015: approximately HK$18,628,000 based on 1,241,877,992 ordinary shares) has been proposed by the board of directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2016 **HK$'000**	2015 HK$'000
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per ordinary share	**150,506**	94,307

	Number of shares	
	2016 **'000**	2015 '000
Weighted average number of ordinary shares for the purpose of basic earnings per ordinary share	**1,241,878**	1,241,878

The Company has no potential ordinary shares outstanding during both years. Accordingly, no diluted earnings per share information is presented.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Vessels under construction HK$'000	Total HK$'000
COST							
At 1 January 2015	5,043	157,456	38,495	9,725	73,256	–	283,975
Exchange realignment	–	–	(47)	(41)	–	–	(88)
Additions	1,143	89,658	1,815	2,586	7,306	–	102,508
Additions through acquisition	–	1,401	432	112	–	–	1,945
Disposals	–	(2,111)	(289)	(864)	–	–	(3,264)
At 31 December 2015	6,186	246,404	40,406	11,518	80,562	–	385,076
Exchange realignment	–	–	(44)	(37)	–	–	(81)
Additions	2,076	45,102	4,143	1,006	1,665	178,140	232,132
Disposals	(1,757)	(30,393)	(18)	(367)	–	–	(32,535)
At 31 December 2016	**6,505**	**261,113**	**44,487**	**12,120**	**82,227**	**178,140**	**584,592**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2015	5,027	77,610	31,720	7,292	51,776	–	173,425
Exchange realignment	–	–	(43)	(14)	–	–	(57)
Provided for the year	201	26,793	3,770	800	8,053	–	39,617
Eliminated on disposals	–	(1,216)	(287)	(658)	–	–	(2,161)
At 31 December 2015	5,228	103,187	35,160	7,420	59,829	–	210,824
Exchange realignment	–	–	(40)	(17)	–	–	(57)
Provided for the year	1,040	28,974	2,729	1,088	6,089	–	39,920
Eliminated on disposals	(1,757)	(29,267)	(6)	(316)	–	–	(31,346)
At 31 December 2016	**4,511**	**102,894**	**37,843**	**8,175**	**65,918**	**–**	**219,341**
CARRYING VALUES							
At 31 December 2016	**1,994**	**158,219**	**6,644**	**3,945**	**16,309**	**178,140**	**365,251**
At 31 December 2015	958	143,217	5,246	4,098	20,733	–	174,252

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment (other than vessels under construction) are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	$33^1/_3$% or over the terms of the relevant leases, whichever is shorter
Plant and machinery	10% - 25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Vessels	10% - 15%

16. INTANGIBLE ASSETS

	Construction licenses HK$'000 (Note a)	Service concession arrangement HK$'000 (Note b)	Total HK$'000
COST			
At 1 January 2015	32,858	41,765	74,623
Exchange realignment	—	(2,403)	(2,403)
At 31 December 2015	32,858	39,362	72,220
Exchange realignment	—	(2,169)	(2,169)
At 31 December 2016	**32,858**	**37,193**	**70,051**
AMORTISATION			
At 1 January 2015	—	5,991	5,991
Exchange realignment	—	(345)	(345)
Charge for the year	—	1,431	1,431
At 31 December 2015	—	7,077	7,077
Exchange realignment	—	(390)	(390)
Charge for the year	—	1,352	1,352
At 31 December 2016	**—**	**8,039**	**8,039**
CARRYING VALUES			
At 31 December 2016	**32,858**	**29,154**	**62,012**
At 31 December 2015	32,858	32,285	65,143

16. INTANGIBLE ASSETS (Continued)

Notes:

(a) The amount represents the fair value of the construction licenses (with indefinite useful lives) held by a wholly-owned subsidiary, Build King Construction Limited (the "Acquired Subsidiary"), as at the date it was acquired by the Group in 2005.

The construction licenses are granted by the Works Branch, Development Bureau of the Hong Kong Special Administrative Region (the "HKSAR") to the Acquired Subsidiary through which the Acquired Subsidiary is eligible to undertake government construction contracts of all five categories of public works, namely port works, site formation, road and drainage, water works and buildings with no limitation in contract sum. The construction licenses basically have no legal life but are renewable every year as long as the Acquired Subsidiary is able to comply with certain provisions and requirements set out by the Works Branch, Development Bureau of the HKSAR throughout the relevant period.

Various studies including sensitivity analysis and market trends have been carried out by the management of the Group, which supports that the construction licenses have no foreseeable limit to the period over which the construction licenses are expected to generate net cash inflow for the Group. As a result, the construction licenses are considered by the management of the Group as having an indefinite useful life because it is expected to contribute net cash inflow indefinitely. The construction licenses will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars regarding the impairment testing on construction licenses are disclosed in note 18.

(b) A subsidiary of the Company, Wuxi Qianhui Sewage Treatment Co., Ltd. ("Wuxi Qianhui"), entered into a service concession arrangement with the local government whereby Wuxi Qianhui is required to build the infrastructure of a sewage treatment plant phase II (see note 21 for details of sewage treatment plant phase I) and is granted an exclusive operating right for provision of sewage treatment services to the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province of the PRC for a term of 30 years.

Pursuant to the service concession arrangement contracts, Wuxi Qianhui is responsible for the construction of sewage treatment plant phase II and entitled to operate the sewage treatment plant phase II upon completion for a specified concession period by charging users of the public service, which amounts are contingent on the extent that the public uses the service. At the end of the operating period, Wuxi Qianhui is required to transfer the sewage treatment plant phase II to the local government. As such, the arrangement is accounted for as a service concession arrangement and the right to charge the users of the public service is recognised as intangible asset. The Group estimates the fair value of the intangible asset to be equal to the construction costs plus certain margin. Amortisation of the intangible asset will be provided for over the operating period on a straight line basis when the sewage treatment commences its operation of 30 years.

The first stage of the construction of the sewage treatment plant phase II comprising construction works and equipment acquisition and installation had been completed and put into operation in 2010.

The sewage treatment plant phase II had been further developed in second stage pursuant to the service concession arrangement contracts which includes purchase and installation of sewage treatment equipment and various construction works had been put into operation in 2013.

17. GOODWILL

The amount represents goodwill arising on the reverse acquisition of the Company in 2004. Particulars regarding impairment testing on goodwill are disclosed in note 18.

18. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purpose of impairment testing of goodwill arising on the reverse acquisition of the Company in 2004, goodwill has been allocated to the group of underlying CGU which represents the Company and its subsidiaries in existence at the time of reverse acquisition of the Company in 2004.

For the purpose of impairment testing, intangible assets with indefinite useful lives set out in note 16 have been allocated to a CGU, a subsidiary, acquired in 2005, which is included in Hong Kong segment and holds the construction licenses granted by the Works Branch, Development Bureau of the HKSAR and through which it is eligible to undertake government construction contracts for all five categories of public works with no limitation in contract sum.

The recoverable amounts of the above groups of CGUs have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain key assumptions. All value in use calculations use cash flow projections based on latest financial budgets approved by the Group's management covering a period of 5 years, and a discount rate of 10% (2015: 10%). Cash flow projections during the budget period for the CGUs are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development.

At the end of the reporting period, the management of the Group determined that there is no impairment of any of its CGUs containing goodwill and intangible assets.

19. INTERESTS IN JOINT VENTURES

	2016	2015
	HK$'000	HK$'000
Cost of investment in unlisted joint ventures	**51,006**	—
Share of post-acquisition profits and other comprehensive inome, net of dividends received	**7,512**	—
	58,518	—

On 15 June 2016, the Group acquired 49% equity interest in 德州恒源熱力有限公司 ("Dezhou Heng Yuan") from certain independent third parties at a consideration of RMB34,710,000 (approximately HK$40,956,000). Dezhou Heng Yuan is a limited liability company incorporated in the PRC and is granted an exclusive right to supply heat to the west of Jianhe in Dezhou Economic Development Zone.

On 17 August 2016 and 30 December 2016, the Group acquired a total of 50% equity interest in Sunny Harvest Corporation Limited ("Sunny Harvest") from an independent third party at a consideration of HK$10,050,000. Sunny Harvest is a limited liability company incorporated in Hong Kong and is engaged in the provision of transportation services.

19. INTERESTS IN JOINT VENTURES (Continued)

Details of each of the Group's joint ventures at 31 December 2016 and 2015 are as follows:

Name of joint venture	Form of business structure	Place of incorporation/ registration/ operation	Attributable equity interest to the Group		Proportion of voting rights held by the Group		Principal activities
			2016	2015	**2016**	2015	
			%	%	**%**	%	
Hip Hing-Leader JV Limited	Incorporated	Hong Kong	**33.3**	33.3	**33.3**	33.3	Civil engineering
Dezhou Heng Yuan	Incorporated	PRC	**49**	—	**50**	—	Central heating
Sunny Harvest	Incorporated	Hong Kong	**50**	—	**50**	—	Provision of transportation services

Summarised financial information in respect of the Group's major joint venture, Dezhou Heng Yuan, is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

All joint ventures are accounted for using the equity method in these consolidated financial statements.

Dezhou Heng Yuan

	2016	2015
	HK$'000	HK$'000
Current assets	**64,636**	—
Non-current assets	**71,216**	—
Current liabilities	**(58,686)**	—
Non-current liabilities	**(49,515)**	—

	2016	2015
	HK$'000	HK$'000
Revenue	**31,666**	—
Profit for the year	**15,406**	—
Total comprehensive income for the year	**15,406**	—

19. INTERESTS IN JOINT VENTURES (Continued)

Dezhou Heng Yuan (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements:

	2016 HK$'000	2015 HK$'000
Net assets of Dezhou Heng Yuan	**27,651**	–
Proportion of the Group's ownership interests in Dezhou Heng Yuan	**49%**	–
Carrying amount of the Group's interests in Dezhou Heng Yuan	**13,549**	–
Effect of fair value adjustments at acquisition	**34,956**	–
	48,505	–

The financial information of the other joint ventures is immaterial.

20. AVAILABLE-FOR-SALE INVESTMENT

	2016 HK$'000	2015 HK$'000
Unlisted equity securities, at cost	**800**	800
Less: Impairment loss recognised	**(800)**	(800)
	–	–

The unlisted investment represents investment in unlisted equity securities issued by private entities incorporated in the PRC. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair values cannot be measured reliably.

21. OTHER FINANCIAL ASSET

Wuxi Qianhui entered into a service concession arrangement with the local government whereby Wuxi Qianhui is required to build the infrastructure of a sewage treatment plant phase I and is granted exclusive operating rights for provision of sewage treatment services to the industrial and domestic users in Qian Qiao Zhen, Hui Shan District, Wu Xi City, Jiang Su Province of the PRC for a term of 30 years.

At the end of the operating period, Wuxi Qianhui is required to transfer the sewage treatment plant to the local government. Wuxi Qianhui commenced the construction in 2005 and completed in 2006. The sewage treatment plant phase I had been put into operation commencing from 2007.

Under the service concession arrangement, the local government of Qian Qiao Zhen guarantees a minimum volume of sewage to be treated by the plant with a fixed predetermined rate per tons of sewage. The agreed price will be reviewed annually. Therefore, the service concession arrangement is classified as financial assets. The fair value of the consideration receivable for the construction services rendered under the service concession arrangement is recognised as other financial asset carrying effective interest rate of 2.61% (2015: 2.61%) per annum and repayable over the service concession period of 30 years.

22. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2016 **HK$'000**	2015 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	**21,789,723**	17,914,644
Less: Progress billings	**(22,103,167)**	(18,094,131)
	(313,444)	(179,487)
Represented by:		
Due from customers included in current assets	**324,351**	485,303
Due to customers included in current liabilities	**(637,795)**	(664,790)
	(313,444)	(179,487)

23. OTHER RECEIVABLE/DEBTORS, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade receivables net of allowances for doubtful debts presented based on the invoice date and bills receivables presented based on the maturity date at the end of the reporting period:

	2016 **HK$'000**	2015 HK$'000
Trade receivables analysed by age:		
0 to 60 days	**819,370**	515,246
61 to 90 days	**884**	1,336
Over 90 days	**9,603**	10,016
	829,857	526,598
Bills receivables analysed by age:		
0 to 60 days	**7,579**	5,175
61 to 90 days	**2,978**	878
Over 90 days	**456**	5,518
	11,013	11,571
Retention receivables	**331,752**	290,415
Other debtors, deposits and prepayments	**115,121**	100,083
	1,287,743	928,667
Retention receivables:		
Due within one year	**61,618**	55,504
Due more than one year	**270,134**	234,911
	331,752	290,415

Included in other debtors is a loan advanced to an independent third party amounting to HK$22,226,000 (2015: HK$23,522,000) by 惠記環保工程(上海)有限公司, a wholly owned subsidiary of the Company in 2015. The loan is secured by 51% equity interest in a PRC company, interest bearing at 4.5% fixed rate per annum and will be fully repaid before 30 November 2017. The amount was classified as non-current other receivable at 31 December 2015.

23. OTHER RECEIVABLE/DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

Included in the Group's trade receivables are debtors with a carrying amount of HK$10,487,000 (2015: HK$11,352,000) which are past due but not impaired as at the end of the reporting period. As there is no significant change in credit quality, the amounts are still considered recoverable.

Ageing of trade receivables which are past due but not impaired

	2016	2015
	HK$'000	HK$'000
Overdue:		
1 - 30 days	**884**	1,336
Over 30 days	**9,603**	10,016
	10,487	11,352

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The majority of the Group's trade receivables that are neither past due nor impaired have good credit quality with reference to respective settlement history.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

24. AMOUNT(S) DUE FROM ASSOCIATES/A JOINT VENTURE/OTHER PARTNERS OF JOINT OPERATIONS

The amounts are unsecured, interest-free and repayable on demand.

25. HELD-FOR-TRADING INVESTMENTS

	2016	2015
	HK$'000	HK$'000
Held-for-trading investments stated at fair value:		
- Equity securities listed in Hong Kong	**24,782**	26,611

26. PLEDGED BANK DEPOSITS/BANK BALANCES

Bank deposits of the Group amounting to HK$101,000 (2015: HK$80,000) are pledged to banks for securing the banking facilities granted to the Group. The pledged bank deposits carry fixed interest rate at 0.01% (2015: 0.01%) per annum.

Bank balances carry average market interest rate ranging from 0.01% to 0.25% (2015: 0.01% to 0.25%) per annum.

27. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	2016 **HK$'000**	2015 HK$'000
Trade creditors analysed by age:		
0 to 60 days	**168,822**	162,961
61 to 90 days	**10,069**	9,928
Over 90 days	**14,677**	39,400
	193,568	212,289
Retention payables	**306,376**	244,688
Accrued project costs	**835,951**	760,105
Other creditors and accrued charges	**35,355**	22,467
	1,371,250	1,239,549
Retention payables:		
Repayable within one year	**89,769**	79,683
Repayable more than one year	**216,607**	165,005
	306,376	244,688

For retention payables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

28. AMOUNT(S) DUE TO AN INTERMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/ A JOINT VENTURE/OTHER PARTNERS OF JOINT OPERATIONS/NON-CONTROLLING INTERESTS

The amounts are unsecured, interest-free and repayable on demand.

29. AMOUNT DUE TO AN ASSOCIATE

The current amount due to an associate is unsecured, interest-free and repayable on demand.

The non-current amount due to an associate is unsecured, interest-free and has an agreed repayment terms which is not repayable within twelve months from the end of the reporting period and the balance is therefore shown as non-current liabilities. The non-current amount is carried at amortised cost using effective interest of 5.4% (2015: 5.4%) per annum.

30. BANK LOANS

	2016	2015
	HK$'000	HK$'000
On demand or within one year	**192,202**	56,122
In the second year	**27,006**	25,856
In the third to fifth year inclusive	**23,553**	14,562
	242,761	96,540
Less: Amount due within one year shown under current liabilities	**(242,761)**	(96,540)
Amount due after one year	**–**	–
Secured	**155,550**	43,000
Unsecured	**87,211**	53,540
	242,761	96,540

At the end of the reporting period, all bank loans are variable rate borrowings which carry interest rate ranging from 2.45% to 3.72% (2015: 2.6% to 3.24%) per annum. All bank loans carry interest rate which is repriced every month.

As at 31 December 2016, bank loans that are repayable more than one year after the end of the reporting period but contains a repayment on demand clause with the aggregate carrying amount of HK$50,559,000 (2015: HK$40,418,000) have been reclassified as current liabilities.

As at the end of the reporting period, the Group has undrawn borrowing facilities of HK$279,636,000 (2015: HK$235,393,000).

31. ORDINARY SHARE CAPITAL

	Number of shares	**Amount HK$'000**
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 January 2015, 31 December 2015 and 31 December 2016	1,700,000,000	170,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 January 2015, 31 December 2015 and 31 December 2016	1,241,877,992	124,188

32. CONVERTIBLE PREFERENCE SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Convertible preference shares of HK$0.01 each		
At 1 January 2015, 31 December 2015 and 31 December 2016	3,000,000,000	30,000
Issued and fully paid of HK$0.01 each:		
At 1 January 2015, 31 December 2015 and 31 December 2016	—	—

The preference shares entitled the holders thereof the right to convert their preference shares into fully-paid ordinary shares of the Company at any time after the date of issuance of the preference shares but before the seventh anniversary, into such number of fully-paid ordinary shares to be determined by the issue price of preference shares divided by the conversion price of HK$0.1 per ordinary share.

Holders of the preference shares were entitled to receive dividends at the rate of 2% per annum at its issue price. The holders of the preference shares were entitled to receive dividends prior to and in preference to the holders of the ordinary shares.

The holder of each preference share did not have any voting rights. The preference shares were non-redeemable and were not be listed on any stock exchange.

33. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group represent fair value of intangible assets arising from the acquisition of a subsidiary during the year ended 31 December 2005. There is no movement of balance during each of the two years ended 31 December 2016 and 2015.

At the end of the reporting period, the Group has unutilised tax losses carried forward to offset future profits, the utilisation of which will expire in the following years:

	2016 HK$'000	2015 HK$'000
Tax losses:		
Carried forward indefinitely	**58,713**	91,210

No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

34. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Cost of investment in unlisted associates	4	4
Share of post-acquisition losses and other comprehensive income (note)	(15,608)	(16,177)
	(15,604)	(16,173)

Note: The Group has contractual obligations to share the net liabilities of associates.

Details of the Group's major associate as at 31 December 2016 and 2015 are as follows:

Name of associate	Form of entity	Place of incorporation/ operation	Proportion of nominal value of issued ordinary capital held indirectly by the Company %	Proportion of voting rights by the Group %	Principal activities
Hong Kong Landfill Restoration Group Limited ("Hong Kong Landfill")	Incorporated	Hong Kong	34.5	50	Civil engineering

Summarised financial information of material associate

Summarised financial information in respect of the Group's major associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All associates are accounted for using the equity method in these consolidated financial statements.

Hong Kong Landfill

	2016 HK$'000	2015 HK$'000
Current assets	24,247	21,870
Non-current assets	37,282	38,580
Current liabilities	(80,858)	(78,918)

	2016 HK$'000	2015 HK$'000
Revenue	23,161	19,012
Profit for the year	1,138	720
Total comprehensive income for the year	1,138	720

34. OBLIGATIONS IN EXCESS OF INTERESTS IN ASSOCIATES (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the obligations in excess of interests in the associate recognised in the consolidated financial statements:

	2016	2015
	HK$'000	HK$'000
Net liabilities of Hong Kong Landfill	**(19,329)**	(18,468)
Proportion of the Group's ownership interests in Hong Kong Landfill	**50%**	50%
Carrying amount of the Group's obligations in excess of interests in Hong Kong Landfill	**(9,665)**	(9,234)

The financial information of the other associate is immaterial.

35. BONDS

On 5 January 2015 and 28 October 2015, Build King Construction Limited, a wholly owned subsidiary of the Company as the issuer and the Company as guarantor have entered into a placing agreement with a placing agent, an independent third party for the purposes of arranging placees for the issue of bonds in denomination of HK$1,000,000 each up to an aggregate principal amount of HK$100,000,000 and HK$50,000,000 respectively. The bonds will be matured at the date immediately following five years after the first issue of the bonds and carry coupon interest of 7% per annum, accrued daily on a 365 days basis that is payable semi-annually in arrears on every 1 January and 1 July of each calendar year, up to but excluding the maturity date of the bonds. At 31 December 2016, bonds with the total amount of HK$127,400,000 (2015: HK$113,680,000), net of issue expenses, are issued. Such expenses will be amortised over the life of the bonds by charging the expenses to the profit or loss using effective interest rate of 7.60% per annum and increasing the net carrying amount of the bonds with the corresponding amount.

36. JOINT OPERATIONS

At 31 December 2016 and 2015, the Group had interests in the following principal joint operations:

Name of joint operation	Form of business structure	Place of incorporation/ registration/ operation	Attributable interest to the Group		Principal activities
			2016	2015	
			%	%	
ACC-Leader Joint Venture	Unincorporated	Middle East	**50**	50	Civil engineering
Gammon-Kaden SCL 1111 Joint Venture	Unincorporated	Hong Kong	**30**	30	Civil engineering
China State-Build King Joint Venture (Formerly known as China State-Leader Joint Venture)	Unincorporated	Hong Kong	**49**	49	Civil engineering
Chun Wo-Leader Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
CRBC-Kaden Joint Venture	Unincorporated	Hong Kong	**60**	60	Civil engineering
CRBC-CEC-Kaden Joint Venture	Unincorporated	Hong Kong	**32.5**	32.5	Civil engineering
McDow-Kaden Joint Venture	Unincorporated	Hong Kong	**50**	50	Civil engineering
Kaden-Chun Wo Joint Venture	Unincorporated	Hong Kong	**51**	51	Civil engineering
Kier-Kaden-OSSA Joint Venture	Unincorporated	Hong Kong	**35**	35	Civil engineering
Kier-Laing O'Rourke-Kaden Joint Venture	Unincorporated	Hong Kong	**15**	15	Civil engineering
Samsung-Build King Joint Venture	Unincorporated	Hong Kong	**30**	—	Civil engineering
Leader Marine-Yoon & Plac Joint Venture	Unincorporated	Hong Kong	**50**	—	Civil engineering
Hsin Chong-Build King Joint Venture	Unincorporated	Hong Kong	**35**	—	Civil engineering
CRBC-Build King Joint Venture	Unincorporated	Hong Kong	**49**	—	Civil engineering

The above table lists the joint operations of the Group which, in the opinion of the directors, principally affect the results for the year or constitute a substantial portion of the assets and liabilities of the Group. To give details of other joint operations would, in the opinion of the directors, result in particulars of excessive length.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debts and equity balance.

The capital structure of the Group consists of debts, which includes the bank loans and bonds disclosed in notes 30 and 35 and equity attributable to equity holders of the Company, comprising issued capital and reserves.

The directors of the Company review the capital structure periodically. As a part of this review, the management of the Group assesses the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepares the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with the capital. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The Group's overall strategy remains unchanged from prior year.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Held-for-trading investments	**24,782**	26,611
Loans and receivables (including cash and cash equivalents)	**2,167,387**	1,806,094
	2,192,169	1,832,705
Financial liabilities		
Amortised cost	**1,854,684**	1,502,500

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include other financial asset, other receivable, debtors, amounts due from associates, a joint venture and other partners of joint operations, held-for-trading investments, pledged bank deposits, bank balances and cash, creditors and accrued charges, amounts due to an intermediate holding company, fellow subsidiaries, a joint venture, an associate, other partners of joint operations and non-controlling interests, bank loans and bonds. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable rate bank loans (see note 30 for details of these borrowings). Although the Group is also exposed to fair value interest rate risk in relation to fixed rate bonds, the Group's policy to keep its borrowings at floating rate of interests would minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate arising from the bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank loans.

For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would decrease/increase by HK$2,428,000 (2015: HK$965,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank loans.

(ii) Other price risk

The Group is exposed to equity and debt security price risk through its investments in listed held-for-trading investments. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. The Group's other price risk is mainly concentrated on equity and debt instruments operating in infrastructure industry sector quoted in the Stock Exchange.

Other price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity and debt price risks at the reporting date.

If the prices of the respective equity and debt instruments had been 5% higher/lower while all other variables were held constant, the profit for the year ended 31 December 2016 would increase/decrease by HK$1,239,000 (2015: HK$1,331,000) as a result of the changes in fair value of held-for-trading investments.

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables. The Group is exposed to concentration of credit risk as the major customers of the Group are the HKSAR Government and certain reputable organisations. The directors of the Company consider that the HKSAR Government and these reputable organisations are financially sound and accordingly no provision is required.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group's credit risk is also attributable to its other receivable. Since the loan receivable is secured by 51% equity interest in a PRC company granted an exclusive right to supply heat at designated area with the share of net asset value higher than its carrying amount, the directors of the Company consider that the credit risk is minimal.

The credit risk for bank deposits is limited because the directors of the Company consider that the counterparties are financially sound.

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group's liquidity position and its compliance with lending covenants is monitored closely by the management of the Company, to ensure that the Group maintains sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and long term. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	Weighted average effective interest rate	Repayable on demand or 3 months or less	3 - 6 months	6 -12 months	1 - 3 years	Over 3 years	Total undiscounted cash flows	Carrying amount at 31.12.2016
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2016								
Non-interest bearing	–	1,260,750	–	2,148	174,996	52,665	1,490,559	1,483,743
Fixed interest rate instruments	7.60	–	4,550	4,550	18,200	134,591	161,891	128,180
Variable interest rate instruments	3.03	163,598	21,006	59,727	–	–	244,331	242,761
		1,424,348	25,556	66,425	193,196	187,256	1,896,781	1,854,684

	Weighted average effective interest rate	Repayable on demand or 3 months or less	3 - 6 months	6 - 12 months	1 - 3 years	Over 3 years	Total undiscounted cash flows	Carrying amount at 31.12.2015
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2015								
Non-interest bearing	–	1,098,087	2,024	22,062	91,660	85,504	1,299,337	1,291,986
Fixed interest rate instruments	7.65	–	4,060	4,060	16,240	127,113	151,473	113,974
Variable interest rate instruments	2.94	96,540	–	–	–	–	96,540	96,540
		1,194,627	6,084	26,122	107,900	212,617	1,547,350	1,502,500

38. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or 3 months or less" time band in the above maturity analysis. As at 31 December 2016, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$50,559,000 (2015: HK$40,418,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings of HK$27,006,000 and HK$23,553,000 will be repaid in 2018 and 2019, respectively after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$28,116,000 and HK$23,910,000 in 2018 and 2019, respectively.

(c) Fair value

The investments held for trading of the Group are measured at fair value at recurring basis, by reference to market bid price in active market and classified under Level 1.

The fair values of the financial assets and financial liabilities that are not measured at fair value on a recurring basis have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

39. CONTINGENT LIABILITIES

	2016 **HK$'000**	2015 HK$'000
Outstanding tender/performance/retention bonds in respect of construction contracts	**602,307**	297,056

40. CAPITAL COMMITMENTS

	2016 **HK$'000**	2015 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**97,811**	22,744
Capital expenditure in respect of acquisition of 49% equity interest in a PRC company authorised but not contracted for	**–**	40,822

41. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2016, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**22,403**	17,714
In the second to fifth years inclusive	**37,212**	15,022
	59,615	32,736

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms ranging from one to three years and rentals are fixed at the time of entering the respective leases.

42. RETIREMENT BENEFITS SCHEMES

The Group operates two MPF Schemes for all eligible employees in Hong Kong. These MPF Schemes are registered with the Mandatory Provident Fund Schemes Authority ("MPFA") in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes Ordinance").

The assets of the MPF Schemes are held separately from those of the Group under the control of independent trustees approved by the MPFA.

In addition to the mandatory contributions specified under the MPF Schemes Ordinance, the Group also provides additional contributions for certain qualifying employees as specified in the rules of the Group's MPF Schemes. Employees leaving the MPF Schemes prior to stipulated service periods may forfeit part of their benefits relating to the Group's voluntary contributions and these amounts may be applied to reduce future voluntary contributions payable by the Group.

The amount charged to profit or loss of HK$25,639,000 (2015: HK$22,920,000) represents contributions paid or payable to the retirement benefits schemes by the Group at the rates specified in the rules of the MPF Schemes reduced by the aforesaid amount of forfeited benefits in respect of the current accounting period.

43. RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with the following related parties:

	2016 HK$'000	2015 HK$'000
Fellow subsidiaries		
Marine plant hire income	**9,933**	11,027
Purchase of construction materials	**89,352**	36,341
Construction contract revenue	**30,726**	20,740

Details of the balances with associates, joint ventures, other partners of joint operations, an intermediate holding company, fellow subsidiaries and non-controlling interests are disclosed in the consolidated statement of financial position and respective notes.

All of the above party transactions constitutes connected transaction or continuing connected transactions which are subject to shareholders' approval under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange.

43. RELATED PARTY TRANSACTIONS (Continued)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2016	2015
	HK$'000	HK$'000
Short-term employee benefits	**35,977**	29,431
Post-employment benefits	**1,769**	1,591
	37,746	31,022

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

44. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2015

On 16 March 2015, the Group, further acquired 49% attributable interest in SEGACN-Yat Hing Joint Venture ("SEGACN-Yat Hing") from an independent third party at a cash consideration of HK$l. Prior to the acquisition, the Group held 51% interest in SEGACN-Yat Hing which is an unincorporated entity and had been accounted for as a joint operation of the Group. Immediately after the acquisition, SEGACN-Yat Hing became a 100% owned subsidiary of the Group. SEGACN-Yat Hing is engaged in fitting out, improvement and alteration works in the PRC.

On 30 November 2015, the Group entered into an agreement with Sembawang Engineers and Constructors Pte. Ltd. ("SEC"), the other partner of Leader Joint Venture ("Leader JV", formerly known as Sembawang-Leader Joint Venture) pursuant to which SEC withdrawn from the joint operation due to financial difficulties. After the SEC's withdrawal, the Group became entitled to 100% of the results of Leader JV and had absolute control over the board of Leader JV. As a result, Leader JV became an indirect wholly-owned subsidiary of the Company. Prior to the acquisition, the Group held 45% interest in Leader JV which is an unincorporated entity and had been accounted for as joint operation of the Group. Leader JV is engaged in civil engineering in Hong Kong.

The acquisitions were accounted for using the purchase method. Acquisition-related costs had been excluded from the cost of the above acquisitions. The costs were insignificant and recognised as an expense in 2015 within the administrative expense in the consolidated statement of profit or loss.

44. ACQUISITIONS OF SUBSIDIARIES (Continued)

Assets acquired and liabilities assumed at the acquisition date:

	SEGACN-Yat Hing HK$'000	Leader JV HK$'000	Total HK$'000
Property, plant and equipment	—	3,536	3,536
Amounts due from customers for contract work	406	55,211	55,617
Debtors, deposits and prepayments	8,193	101,976	110,169
Bank balances and cash	—	32,797	32,797
Amounts due to customers for contract work	—	(106,527)	(106,527)
Creditors and accrued charges	(2,095)	(86,948)	(89,043)
Amount due to a partner of a joint operation	(6,080)	—	(6,080)
Net assets	424	45	469

Gain on bargain purchase arising from the acquisitions:

	SEGACN-Yat Hing HK$'000	Leader JV HK$'000	Total HK$'000
Cash consideration paid	—	—	—
Fair value of 45% interest held by the Group	—	20	20
Fair value of 51% interest held by the Group	216	—	216
Less: net assets at the acquisition date	(424)	(45)	(469)
Gain on bargain purchase arising from the acquisitions	(208)	(25)	(233)

The fair values of SEGACN-Yat Hing's identifiable assets and liabilities had been assessed by the management of the Group and it considered that the fair value of debtors, deposits and prepayments and creditors and accrued charges, at the date of acquisition amounted to HK$8,193,000 and HK$2,095,000 respectively, approximated to gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considered that the contractual cash flows not expected to be collected was insignificant and the resultant gain on bargain purchase arising from acquisition of HK$208,000 was credited to the Group as other income in 2015.

The fair value of Leader JV's identifiable assets and liabilities had been assessed by the management of the Group and it considered that the fair value of debtors, deposits and prepayments and creditors and accrued charges, at the date of acquisition amounted to HK$101,976,000 and HK$86,948,000 respectively, approximated to gross contractual amounts of those corresponding balances acquired by the Group. At the date of acquisition, the management of the Group considered that the contractual cash flows not expected to be collected was insignificant and the resultant gain on bargain purchase arising from acquisition of HK$25,000 was credited to the Group as other income in 2015.

44. ACQUISITIONS OF SUBSIDIARIES (Continued)

Net cash inflow on acquisitions:

	SEGACN-Yat Hing HK$'000	Leader JV HK$'000	Total HK$'000
Cash consideration paid	—	—	—
Less: cash and cash equivalent balances acquired	—	(18,038)	(18,038)
	—	(18,038)	(18,038)

Included in the profit for the year ended 31 December 2015 was loss of HK$302,000 attributable to the additional business generated by SEGACN-Yat Hing, and profit of HK$2,000 attributable to the additional business generated by Leader JV. Revenue for the year ended 31 December 2015 contributed by SEGACN-Yat Hing and Leader JV were HK$4,991,000 and HK$153,299,000 respectively.

Had the acquisition been completed on 1 January 2015, total group revenue for the year ended 31 December 2015 would have been HK$4,726,471,000, and profit for the year ended 31 December 2015 would have been HK$70,501,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

45. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY WITHOUT LOSING CONTROL

On 19 December 2016, the Group entered into a sale and purchase agreement to dispose of its 20% equity interest in a wholly-owned subsidiary incorporated in Hong Kong, Build King Interior & Construction Limited ("BKICL"), to an independent third party at a consideration of HK$200,000. The disposal had been accounted for as equity transaction. In the opinion of the directors, the difference between the consideration received and the net asset values disposed of was considered insignificant.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
Non-current asset		
Unlisted investments in subsidiaries	**60,000**	60,000
Current assets		
Amounts due from subsidiaries	**128,437**	109,177
Bank balances and cash	**6,043**	6,183
Other current assets	**13**	9
	134,493	115,369
Current liabilities		
Other payable	**20**	—
Amount due to an intermediate holding company	**2,514**	2,514
Amounts due to subsidiaries	**50,776**	30,257
	53,310	32,771
Net current assets	**81,183**	82,598
Total assets less current liabilities	**141,183**	142,598
Capital and reserves		
Ordinary share capital	**124,188**	124,188
Reserves	**16,995**	18,410
Total equity	**141,183**	142,598

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in reserves

	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Other reserve HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	14,186	419,212	115	(415,589)	17,924
Profit and total comprehensive income for the year	—	—	—	12,904	12,904
Dividend paid	—	—	—	(12,418)	(12,418)
At 31 December 2015	14,186	419,212	115	(415,103)	18,410
Profit and total comprehensive income for the year	—	—	—	17,213	17,213
Dividend paid	—	—	—	(18,628)	(18,628)
At 31 December 2016	**14,186**	**419,212**	**115**	**(416,518)**	**16,995**

Note: The contributed surplus and other reserve represent adjustments in share capital on the reverse acquisition of the Company in 2005.

47. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid/ registered ordinary share capital	Proportion of nominal value of issued ordinary share capital held by the Group		Principal activities
				2016 %	2015 %	
Allied Wise Limited	Hong Kong	Hong Kong	HK$2	**100**	100	Investment holding
Amazing Reward Group Limited	British Virgin Islands ("BVI")	Hong Kong	US$1,000,000	**100**	100	Investment holding
Titan Foundation Limited	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Civil engineering
Build King Construction Limited (formerly known as Kaden Construction Limited) ("BKCL")	United Kingdom	Hong Kong	GBP16,072,500	**100**	100	Construction and civil engineering
Build King Civil Engineering Limited (formerly known as Leader Civil Engineering Corporation Limited)	Hong Kong	Hong Kong	HK$25,200,000 Ordinary shares	**100**	100	Civil engineering
			HK$24,000,000 Non-voting deferred shares	**100**	100	
Build King Management Limited (formerly known as Leader Construction Company Limited)	Hong Kong	Hong Kong	HK$2	**100**	100	Provision of administrative and management services to group companies
Leader Marine Contractors Limited	Hong Kong	Hong Kong	HK$200,000	**100**	100	Marine engineering and provision of transportation services
Leader Marine Cont. L.L.C.	Sharjah, United Arab Emirates ("U.A.E.")	U.A.E.	Dh300,000	**100**	100	First class contracting/ specialised in marine construction
Profound Success Limited	BVI	Hong Kong	US$1	**100**	100	Investment holding
Top Tactic Holdings Limited	BVI	BVI	US$1	**100**	100	Investment holding

47. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid/ registered ordinary share capital	Proportion of nominal value of issued ordinary share capital held by the Group 2016 %	2015 %	Principal activities
Wai Kee China Construction Company Limited	Hong Kong	PRC	HK$10,000,000	**100**	100	Civil engineering
Build King (Zens) Engineering Limited (formerly known as Wai Kee (Zens) Construction & Transportation Company Limited)	Hong Kong	Hong Kong	HK$25,000,002 Ordinary shares	**100**	100	Civil engineering
			HK$14,800,000 Non-voting deferred shares	**100**	100	
			HK$5,200,000 Non-voting deferred shares (note a)	**–**	–	
Wisdom Aim Investments Limited	Hong Kong	Hong Kong	HK$1	**100**	100	Provision of secretarial and nominee services to group companies
Wuxi Qianhui Sewage Treatment Co., Ltd. (note b)	PRC	PRC	US$5,400,000	**95.6**	95.6	Sewage treatment
Build King Interior & Construction Limited (formerly known as Yat Hing Decoration Works Limited)	Hong Kong	Hong Kong	HK$1,000,000	**80**	100	Fitting out, improvement and alteration works for buildings
惠記環保工程(上海)有限公司 (note c)	PRC	PRC	US$800,000	**100**	100	Environmental engineering

47. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(a) These deferred shares, which are not held by the Group, practically carry minimal rights to dividends and no rights to receive notice of or to attend or vote at any general meeting of the company. On a winding up, the holders of the deferred shares are entitled to a distribution out of the remaining assets of the company only after the distribution of substantial amounts as specified in the Articles of Association to holders of ordinary shares of the company.

(b) The company is a co-operative joint venture registered in the PRC.

(c) The company is a foreign owned enterprise registered in the PRC.

Except for Top Tactic Holdings Limited, all subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results of the year or constitute a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for BKCL which has issued bonds (note 35), none of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Financial Summary

RESULTS

	Year ended 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Group revenue	2,142,042	2,193,098	3,237,341	4,571,629	**4,871,491**
Share of revenue of joint ventures	—	—	—	—	**13,381**
	2,142,042	2,193,098	3,237,341	4,571,629	**4,884,872**
Group Revenue	2,142,042	2,193,098	3,237,341	4,571,629	**4,871,491**
Operating profit	24,257	25,390	57,461	105,341	**183,853**
Share of results of joint ventures	—	—	—	—	**7,512**
Share of results of associates	440	643	619	360	**569**
Finance costs	(2,751)	(4,324)	(3,559)	(8,635)	**(13,857)**
Profit before tax	21,946	21,709	54,521	97,066	**178,077**
Income tax expense	(1,822)	(1,495)	(1,907)	(2,884)	**(28,531)**
Profit for the year	20,124	20,214	52,614	94,182	**149,546**

FINANCIAL POSITION

	At 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Total assets	1,324,724	1,763,061	2,086,857	2,614,565	**3,081,557**
Total liabilities	(1,032,685)	(1,460,010)	(1,739,958)	(2,192,221)	**(2,534,727)**
Net assets	292,039	303,051	346,899	422,344	**546,830**

The information for the year ended 31 December 2012 has been adjusted to reflect the change in accounting policy arising from the adoption of HKFRS 11 “Joint Arrangements” issued by the HKICPA during the year ended 31 December 2013.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Zen Wei Peu, Derek
(Chairman, Chief Executive Officer and Managing Director)
Chang Kam Chuen, Desmond

Non-executive Directors

David Howard Gem
Chan Chi Hung, Anthony

Independent Non-executive Directors

Chow Ming Kuen, Joseph
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor

AUDIT COMMITTEE

Ho Tai Wai, David *(Chairman)*
Chow Ming Kuen, Joseph
Ling Lee Ching Man, Eleanor

NOMINATION COMMITTEE

Ling Lee Ching Man, Eleanor *(Chairwoman)*
Chow Ming Kuen, Joseph
Ho Tai Wai, David
Zen Wei Peu, Derek

REMUNERATION COMMITTEE

Chow Ming Kuen, Joseph *(Chairman)*
Ho Tai Wai, David
Ling Lee Ching Man, Eleanor
Zen Wei Peu, Derek

COMPANY SECRETARY

Chang Kam Chuen, Desmond

AUDITOR

Deloitte Touche Tohmatsu

SOLICITORS

Reed Smith Richards Butler
Conyers Dill & Pearman

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China CITIC Bank International Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 601-605A, 6th Floor, Tower B
Manulife Financial Centre
223 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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